

Nation's Business

USEFUL LOOK AHEAD

JANUARY 1962

WORLD TRADE BATTLE HITS YOU

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What you can do about communism PAGE 32

Regulators plan new crackdown PAGE 50

Qualities of victory: **Enterprise** PAGE 34

Make job goals fit the man PAGE 74

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Nation's Business

January 1962 Vol. 50 No. 1

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Washington, D.C.

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As a result, the Philadelphia city council recently passed an ordinance to help further speed and co-ordinate the installation of outdoor phones throughout the city. By 1971, there should be an additional 2200.

The unique service and security they give citizens—plus the extra revenue they add to the city treasury—make outdoor phones a vital part of Philadelphia's municipal planning.

* * *

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That's why we ask owners to use chains or snow tires. Just to be sure.

Would you like to know who has a Volkswagen Truck in your neighborhood? Wait until you get about 6 inches of snow. Then look to see who isn't shoveling.



WASHINGTON BUSINESS OUTLOOK

Another crippling steel strike this year?

Don't rule it out.

But it's unlikely.

Administration in Washington wants nothing to hold up economic expansion—particularly next fall during the congressional campaign season.

Look for federal intervention for settlement that'll favor union demands without a widespread or prolonged work stoppage.

Aim is to reach agreement before the strike deadline in July.

Big question for steel executives:

What long-range implications will negotiations have for prices and profits?

Answer's not hard to figure out.

Try adding 54 cents an hour to your employment costs without raising prices.

That's how much steel firms have absorbed since last major price boost in '58.

Size of pay hike union will drive for?

Make a guess it'll be at least as big as last year's auto union settlement. Some executives think that would be good guessing. Another guess is that pay could be forced up even more.

That means some price increases are almost sure to come before year-end. But price hikes might not stand up under stiff pressure of competition.

Hence profits could be depressed for many companies.

Research economists working on forecasts for the next 12 months are projecting two probabilities.

One's based on assumption there'll be no steel shutdown.

Other assumes there will be.

Gap between these two projections is wide.

Size of the gap reveals critical impact an industry-wide walkout would have on total business activity.

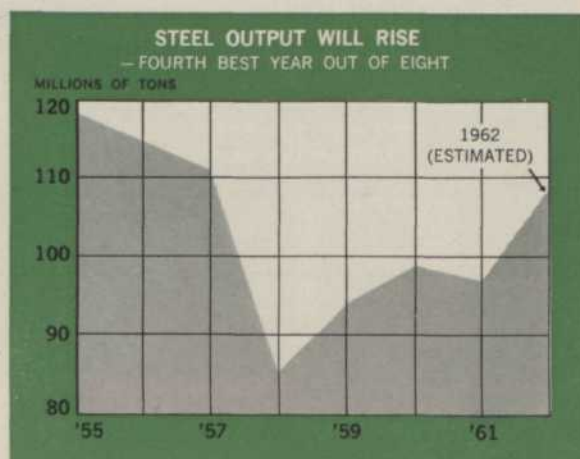
More steel will be produced in the first half of this year than the last half.

To help you with perspective, look at the statistics this way:

In the latter part of '61 steel was being produced at a rate averaging about two million tons a week.

In early months of '62 the rate is expected to average about 2.2 million tons a week, going up to about 2.5 million tons in late spring.

Production in summer months will drop off to an expected 1.8 million tons a week, going back up to about two million tons by the end of the year.



This projection, of course, is based on the assumption that there'll be no steel shutdown in July after the current union contract runs out.

Social security taxes go up this month.

Maximum annual payments for individuals now will be \$150 instead of \$144.

But projected for the long range is a sizable increase.

Here is the comparison:

A man retiring now who has paid maximum taxes since social security began has paid out a total of \$1,434 (for which he'll collect almost \$20,000 if he lives the average 13 years more).

Contrast that tax with \$5,262, which a man

starting now and paying maximum taxes for the same number of years would have to pay.

Estimate is based solely on tax increases already scheduled.

From \$150 this year, taxes will rise to \$174 a year from now, \$198 in '66, and \$222 in '69.

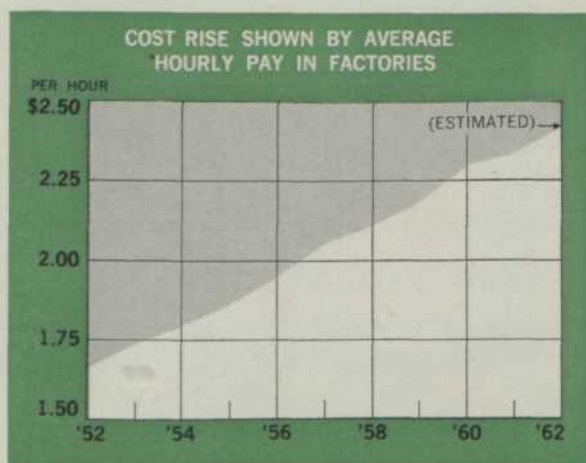
Employers match these payments.

Additional tax boosts probably will be enacted in years to come so that total taxes will ultimately be higher than now indicated.

Wage settlements tapering off?

Some trends are developing in this area and it'll pay you to keep tab.

Nationally—if you look only at hourly pay—you'll find that average wage settlement in new



union contracts appears to be tapering down somewhat.

Here's how the trend looks:

Average hourly wages in manufacturing went up eight cents in '55, up nine cents in '56, up 10 cents in '57.

Average increase in '59 was eight cents, up seven cents in '60, up six cents in '61.

That shows the so-called tapering off (since '59) being talked about. Fact is:

Unions have been concentrating on fringe benefits and job security in negotiations.

There's no slackening in total cost of settle-

ments when you add the other costs of employment negotiated by unions.

What's coming next?

Some economists think the next major long-term trend will be a new upward push on pay.

This new push may not be far off.

Settlements for bigger pay boosts will begin to show up this year.

Trend will gain momentum in years ahead.

If your company is involved in negotiations with a union this year you'll want to see a copy of a new booklet called:

"Model Arbitration Clauses to Protect Management Rights."

Copies are 50 cents each from Labor Relations and Legal Dep't., Chamber of Commerce of the United States, Washington 6, D. C.

A proposal in Congress would require that information which companies must provide to some government agencies be made available to congressional committees.

Proposal will be handled by Senate and House judiciary committees. Watch for first action there in spring months.

Good or bad proposal?

Here's what it's about so you can make up your own mind.

Idea is that specific information about your company's operations—now held confidential by agency where papers are filed—would be turned over to congressional committees investigating business operations and practices.

As one result you can safely anticipate that many new public investigations would involve businessmen in one way or another.

One executive, discussing this proposal with an editor of NATION'S BUSINESS, thinks the idea is bad.

He has this view:

"We've got a hard position to defend here.

"The problem is businessmen will sound as if they want the right to be dishonest.

WASHINGTON BUSINESS OUTLOOK

"But that's not the main idea. This is simply another example of government looking over management's shoulder, requiring many additional hours for the filling out of government forms.

"It means businessmen will have to devote a great deal more time to the unproductive labor of complying with government regulations when we should be trying to find new answers to business problems.

"Trouble is that all business management must pay the price for a few who insist on making false advertising claims and engage in other poor business practices."

Businessmen face other threats from Washington—some of them in the near future.

Example:

Up for congressional consideration also in the next few months is a proposal that would change the drug patent law.

Proposal would force holders of new drug patents into compulsory licensing for manufacture of a new product at a fixed royalty after three years from time application for a new patent is filed.

Patents now are protected for 17 years.

Law change also would bring in another agency in determining patentability of the discovery.

Business view is that this would destroy the incentive for innovation by reducing the profitability of invention and research.

Proposal restricted to drug industry?

Answer is yes—for now.

Businessmen watching pressures for enactment of this bill fear it would soon be expanded to cover patents in other industries.

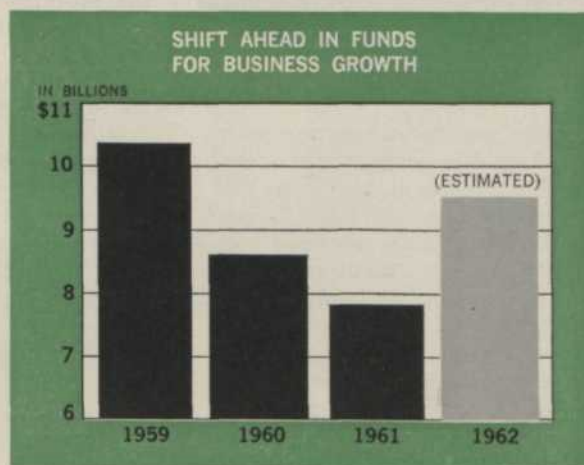
"Ultimately," one executive tells NATION'S BUSINESS, "the law could be broadened to include many types of patents. This is simply an eroding away of the traditional and basic right of patent protection. No one can expect to benefit from such a change."

Funds for business growth out of earnings are trending higher.

This year the total will go up—but not as much as you might think if you base your forecast solely on a projection of dollar volume which American business is expected to do in the next 12 months.

Truth is: Profitability of business is not keeping pace with rising volume of goods.

Here's a chart for your information, the figure for retained earnings estimated for 1962.



Estimate for '63 is that money left for business growth—after taxes and dividends—may be somewhat lower.

At best it's not expected to be larger.

But that's a longer-range prediction, subject to revision after economic forces in '62 are more fully developed.

It's worth noting that no record years are shown in chart.

Larger retained earnings were recorded in '50, '51, '55 and '56.

Next record year is not in sight.

Corporate tax liability will rise an estimated \$3 billion this year compared with an increase of only \$1.7 billion in retained earnings.

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Business opinion:

Need to reaffirm nation's qualities of victory cited

CAPTAIN RICKENBACKER'S article, "Courage," which inaugurated your "Qualities of Victory" series [November] is outstanding.

He correctly points out that the federal government, through its tax laws and business ventures, is killing this country far more quickly and effectively than communism ever could.

One reason this nation fought for independence was the deplorable tax situation imposed on her subjects by England. For years now, we citizens have been under the dictate of nearsighted politicians whose stronghold is Washington.

However, to complain, grumble and swear does no good. In 1776 there were men who took action against injustice and tyranny. Where are the men today who will fight for the citizens and their country?

P. BERLINGHOF

Olin Mathieson Chemical Corp.
Baltimore, Md.

It is indeed encouraging to read the words of so noted a champion of our American philosophy.

To the contrary, however, it is sad to ponder the lack of courage so prevalent in American business for the past 30 years. More especially distressing is the harvest which weakness and indecision have sown.

Congratulations, and I hope that this series may serve to fan the spark, which is still alive in business, into the bright flame which is the hallmark of American progress.

C. D. KOHLER

Kohler Engineers, Inc.
Kohler, Wis.

I have become increasingly concerned with the diminishing of the independent nature of the American people. It appears that with the coming of our national maturity, in addition to the inevitable patterns of an industrial society, we as individuals are losing a good part of the independence that has been our real strength.

Mr. Rickenbacker touches on it in discussing the willingness of people to look to the government for everything from individual

wants to permission for many activities. But I feel the subject and the problem are far broader and deserving of treatment in considerable depth.

In changing from a predominantly rural society to an industrial one, the old personal independence of thought and action is changing to a resigned acceptance—blind acceptance, often—of external controls and influences which would have been unthinkable to our grandfathers.

ROBERT E. HANNAY
Phoenix, Arizona

It set one to thinking how much we stand to lose as American citizens by sitting by, merely hoping that the situation will change without putting forth any effort. A reshaping of attitudes, ideals, morals and self-reliance would be one place to shift this current trend in reverse.

KEN ROBBINS

David W. Evans & Associates
Salt Lake City, Utah

No one would question for a moment the courage of Eddie Rickenbacker nor his belief in traditional American individualism. His life is ample testimony to these qualities. But one views his interpretation of courage with severe misgivings.

Mr. Rickenbacker seems to equate courage with the steel nerves needed to sweat out shaky financial maneuvers. Such courage (gall, gumption, audacity are possible synonyms) is not very inspiring. Surely there is more to courage than this labored rationale of financial acumen and self-interest.

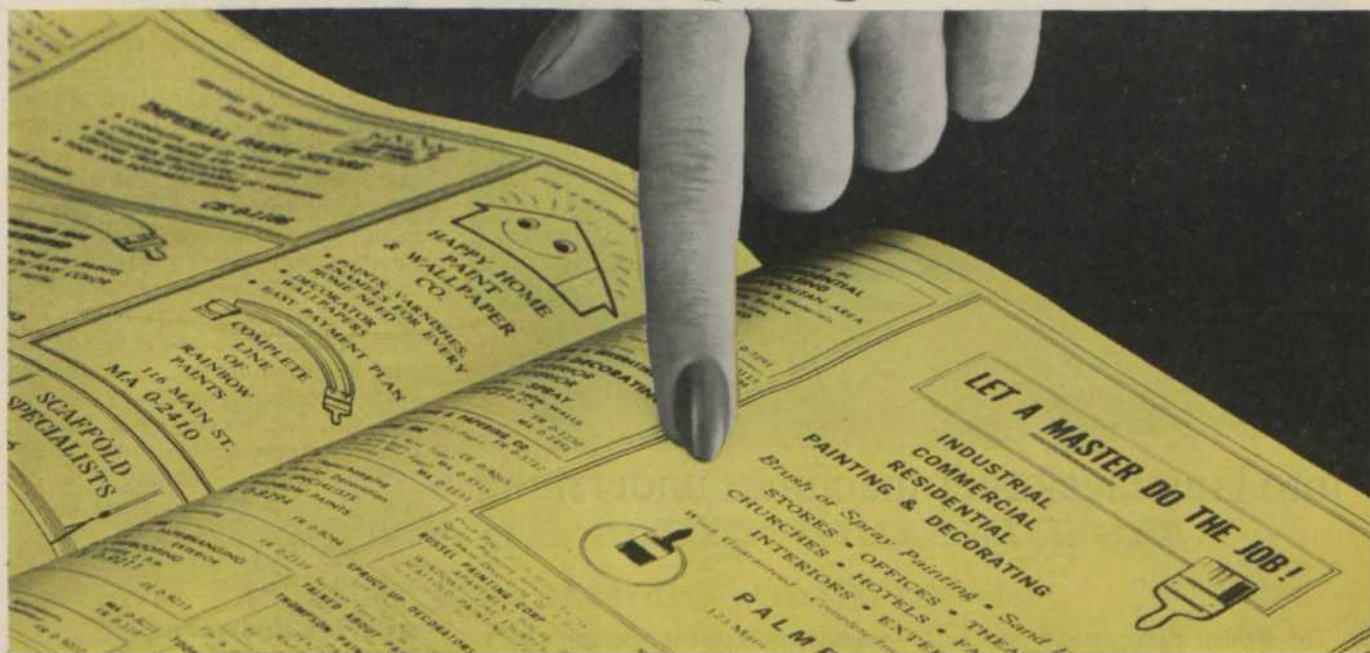
SAMUEL HUDSON PHIFER
New Rochelle, N. Y.

Half step away

"Washington Reaches for Your City Hall" [November] is an outstanding article clearly pointing out another danger that confronts America through the efforts of perhaps well meaning legislators in our nation's capital in promoting another department that purports to solve many of the ills experienced by our states, cities and counties in



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This powerful co-ordinated backing

is one *more* reason for advertising in the Yellow Pages. The others? Your Yellow Pages advertising helps you reach and sell your best prospects when they're ready to buy! You can now advertise in any combination of over 4000 directories with one contact, one contract, one monthly bill! All with National Yellow Pages Service, the streamlined new service for national, regional and selected-market advertisers. Call your Bell Telephone Business Office, and ask for the Yellow Pages man. He'll gladly fill you in on details and help plan your program.



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THIS IS PRACTIMATION: automation so hand-in-hand with practicality there can be no other word for it.

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Business opinion:

a financial way and many others as well. This one article was worth the cost of the magazine.

Your editorial in the same issue, "Work for Everybody," prompted me to write several congressmen giving my impression of this Department of Urban Affairs and Housing.

Due to the attitude of so many Americans to look to the federal government for total guidance and aid, including financial, we have just about lost our liberties and I feel that we are just a step, maybe only a half step, away from a total welfare state and all that that implies.

Our political and religious freedoms will doubtless be challenged in due time. These economic measures are but the beginning. I wish America would awake.

C. W. HIGGINS
Nashville, Tenn.

Policy for freedom

In the six months that I have been receiving your publication, I have noticed a definite policy advocating that business be allowed to perform its function in our economy without excess control and hindrance from the federal government; also that the local governments accept their rightful responsibility in the areas of education, and so forth; in short that we as individuals, cities and states accept our responsibilities and thereby keep excessive federal aid and control out. Let me say that I am in complete agreement with this policy.

Now, my question is: Why can we not see a more general acceptance of these views?

FREDERIC H. REAL, JR.
Baltimore, Md.

Queries answered

Congratulations on "Emergency Controls: What to Expect" [November].

We have had a number of inquiries with respect to emergency controls, and would appreciate permission to reproduce this article.

FRANCIS N. BRANSON
Director, Law Information
and Statistics
National Confectioners Assoc.
of the U. S., Inc.
Chicago, Ill.

Two-way street

"Attack on Profits" [Special Letter, October] ignores the situation of a business that has no profits to share.

ROBERT ROBERTS
Toledo, Ohio



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Executive Trends

- Pressures business faces in '62
- How to get a promotion
- Why name-dropping can be costly

What's the outlook for business management in 1962?

To get an informed prognosis NATION'S BUSINESS queried four key officials of the American Management Association.

Here are some highlights from their forecasts:

Foreign business—This will be a major area of pressure and challenge in the new year. Competition from abroad, particularly from the European Common Market, will intensify. At the same time, U. S. investment—especially in developed areas—will accelerate and more and more American firms will move into operations overseas. It will become essential for domestic firms to include the whole world in their planning.

Decision-making—Because of the growing complexity of business, pressures on profits and stepped-up competition, more companies will find it necessary to improve both the speed and accuracy of their decision-making by using streamlined information-handling systems, electronic data processing, in-company consultants and sophisticated mathematical techniques.

Manpower—Here there will be a number of problems, including the necessity of getting the most effective use of manpower in the face of increased automation, industrial preparedness, efforts by unions to obtain retraining agreements for workers displaced by technological improvements, and what one AMA

official describes as "the difficult task of trying to do an effective labor-relations job in the face of expanding government intervention."

• • •

Cost pressures on business are showing up in ways which worry some management thinkers.

Example: One personnel authority reports that a number of companies have scrapped their management development programs in an effort to economize. The danger in this, he warns, lies in the fact that skilled management is made more, not less, important by the greater competitiveness of today's business. Development programs, he adds, are essential in building the management skills so badly needed.

• • •

Your chances of winning a promotion depend on how well you—

1. Build the capacity to see your own job and department in the perspective of the total operations of your company.
2. Develop competence in your present position.
3. Get along with other people.
4. Keep your skills up to date through education and training.

These are the conclusions of Dr. Thomas R. O'Donovan of the University of Detroit, who identified the value of these qualities in personal interviews with 20 middle-echelon executives in three different industries—autos, electronics and foods. Dr. O'Donovan is continuing

his study with a survey of 180 top-level officials in other lines. This additional research, he reports, so far has confirmed his earlier findings. Before he completes the project he hopes to determine what, if any, changes future years will bring in the factors which make for promotability in large and medium-size organizations.

There was a time, the professor says, when such things as "luck and power plays" won promotions in business and industry. Now these factors have little weight.

Here are some specific tips for the promotion-minded: Learn to delegate, to train good replacements; associate informally as well as formally with people who are producing and advancing; don't give the impression that each job you receive is merely temporary until your next promotion. Holding the latter attitude, Dr. O'Donovan explains, "tends to mark an individual as one in a state of permanent dissatisfaction."

Does your company have "consultant jitters"?

This condition is often encountered in smaller and some medium-size firms, according to members of the Association of Management Consultants, Inc. They met recently in the nation's capital to discuss ways of upgrading their profession and expanding its business volume.

Participants in the conference said they find that smaller businesses frequently resist calling on consultants for advice because they feel this would be an admission of failure. In larger companies, on the other hand, consultants' professional services are in great demand—so great, in fact, that one practitioner says "hiring a consultant seems to have become almost a status symbol; many firms, in making up their budgets, regularly figure in consultancy fees."

Your company should proceed with caution if it is contemplating a change in its corporate name or in the name of a company product.

This advice comes from Lippincott & Margulies, Inc., a New York design and marketing firm which has handled the often complicated business of name-changing for business clients.

The name-changing process has



"Our postage meter makes customer courtesy easy"

"In our restaurant, we invite all guests to send souvenir post cards. Later we add postage and mail them. Sound simple? Try stamping up to 300 post cards a week! Then do the same job on a postage meter, and you'll see why we dote on ours. No more slow licking and pasting. No more running out of stamps. And the meter prints our own ad as it stamps. Great idea!"

Every small business can enjoy the benefits of metered mail. Pitney-Bowes DM, the desk model postage meter, was specially made for the smallest business. In fact, one-third of all DM users average less than \$1 a day postage.

No sopping, sticking stamps

You print postage as you need it, in the exact amount you need. You always have the right stamp. Prints directly on envelope or on special gummed tape for parcels. Seals as well as stamps, too.

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damage or misuse. Accounting is automatic. Two registers show the postage on hand and postage used, at a glance.

Extra speed in transit, too. Mail is already postmarked, skips two



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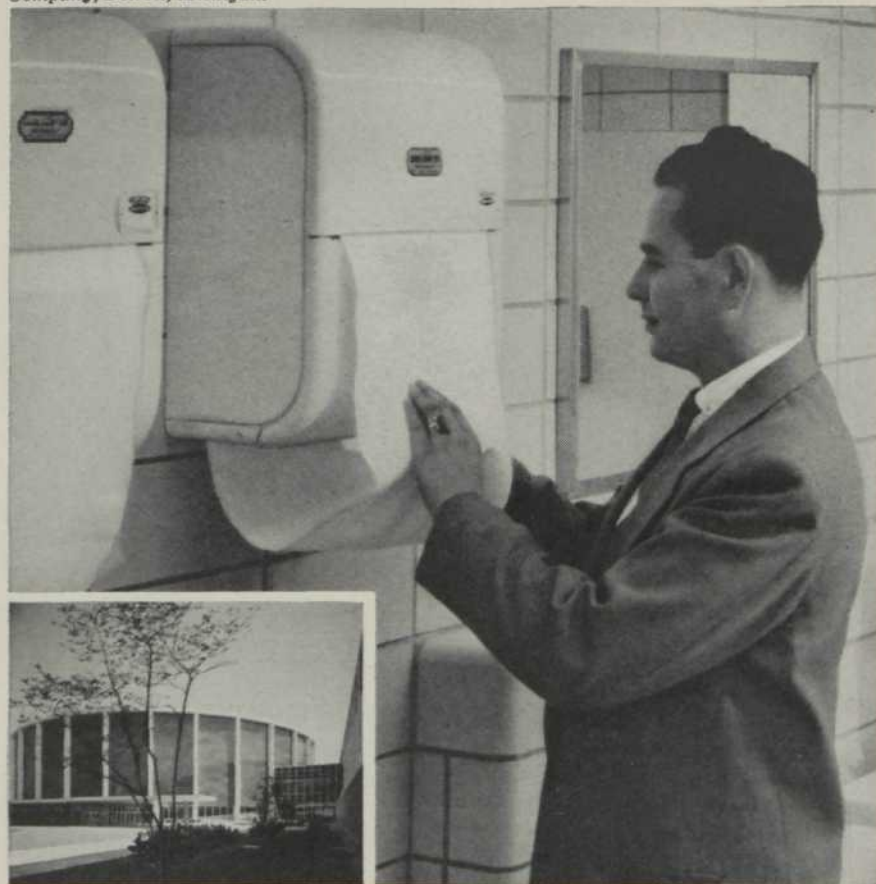
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EXECUTIVE TRENDS

continued

cost some firms hundreds of thousands of dollars, when you figure in costs of communicating and promoting the change. New names, whether for the firm or the things it makes, first must be created, then tested for eye appeal, ear appeal and other qualities, and finally—and most crucially—put over the hurdle of legal clearance.

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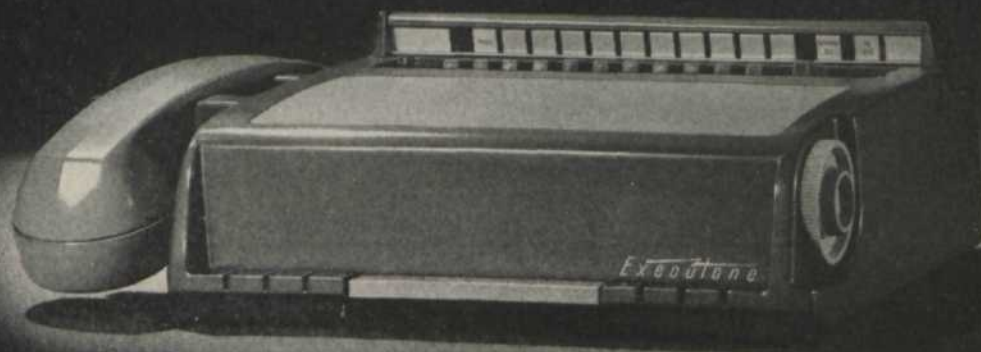
Prof. Alex Bavelas, director of Stanford University's new Laboratory of Human Development, says business more and more is tending to view innovators in this light. He sees modern organizations depending less on the "peculiar abilities of rare individuals" and more on orderly research and analysis, use of committee opinion, and other group techniques.

To Professor Bavelas the current trend poses two dangers.

"First," he says, "we may be systematically giving up opportunities for using the highest expressions of personal leadership in favor of management practices which, while safe and reliable, can yield at best only a high level of mediocrity."

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THE WHEELS THAT GO EVERYWHERE



In crisis times even ridiculum is grave

BY MERRIMAN SMITH

IT MAY BE HAZARDOUS to deal with Washington at this time of year in anything but dark and dreary terms. Congressmen and senators are in no mood for levity as they shuffle, even as their constituents, through family Christmas bills which for the moment may seem larger than President Kennedy's new budget.

The chief executive, tanned but not necessarily rested after a Yuletide spent at the southern bastion of the New Frontier, Palm Beach, is a-grapple with all manner of battle plans and blueprints for crisis. The President is up against a question that must remain relatively moot for a time: Will he run into more of a fight over medical care for the aged than he has encountered over Berlin? On the controversial medicare plan, President Kennedy does have one thing in his favor. Thus far, Jack Paar has not done a show from the social security building.

Dreadfully serious problems blanket the nation's capital to such an extent that matters neither dreadful nor serious take on the coloration of deserved gravity. The result at times is a state of *ridiculum*, a Latin word picked up by *Variety*, the oracle of show business, to describe certain aspects of television.

Undulant periods of *ridiculum* possibly reflect a nervous Capital reaction to tensions of the cold war, the race into space, urgent advertisements by the new friends of fallout, the shelter salesman. Then there is cancer, high blood pressure and obesity, all tried and tested sources of worry. These, too, wash up on the shores of the Potomac in an era when the government is supposed to do a little something about everything. Or at the very least, be blamed for it.

Here we have all the elements of crushing crisis—national, international, personal, universal. Aside from occasional shafts of golden light from the stock market, where the traders obviously do not realize the extent of their jeopardy, a darker hour is diffi-

cult to envision for most of us. But it can be darker, and it is. Sandwiched between Berlin and the bomb is a crisis of proportions to disrupt normally friendly diplomatic relations; of a divisive nature to set American against American; of sufficient magnitude to require the President himself to deal with it on nationwide television. Arthur Krock has been writing about it in the *New York Times*, credential enough for any crisis because Mr. Krock does not vend our national troubles lightly.

The problem is this: Women reporters are not granted sit-and-eat equality in the grand ballroom of the National Press Club on days when visiting heads of state are luncheon speakers. Membership in the club is limited to men. When Indian Prime Minister Nehru or some of the other traveling potentates speak at the Press Club, members and male guests may dine together in the presence of the great one and submit written questions for the visitor to answer after lunch.

Ladies of the press are granted somewhat grudging access to a balcony where they may sit unfed, unrecognized and whispering little digs about segregation. With a distressingly few 36-28-36 exceptions, these ladies are deadly earnest journalists and/or feminists. The Press Club balcony has become to them what the wall is to West Berliners.

Still, it would seem to be a problem that most any Rotary Club could handle back home. But not in Washington, the current seat of most western wisdom. The matter of where women sit at Press Club luncheons came up at a Kennedy press conference recently. Videotapes of the conference were shown to national TV audiences numbering in the millions.

Although President Kennedy has not the slightest voice in Press Club operations, he was pitched into a nasty little quarrel through no choice of his own. He dealt with it as soberly as he had discussed South Viet-Nam moments before, telling the nation in rather labored terms that his membership in the club was essentially honorary; that speaking personally

Merriman Smith is the White House reporter for United Press International.

TRENDS: WASHINGTON MOOD

and not as President of the United States, he thought women reporters should be admitted on a basis of equality on days when foreign leaders spoke.

A noted male journalist watched a woman reporter harpoon President Kennedy with her question about the luncheons, and whispered to a companion, "Can you imagine this happening with Roosevelt, Churchill or for that matter, Stalin or Khrushchev?"

This was not intended as a reflection upon the President, but more as a mutter of sympathy. The situation does, however, reflect the tensions of *ridiculum*. A President who must contend in the open with such less-than-millennium matters is bound to become grumpy.

Another aspect of the presidency which makes the job seem worse than it is actually involves a widely held belief that our chief executive must be incredibly *au courant* and immediately responsive with penetrating comment on everything from professional baseball trades to crop conditions in parts of Russia so remote that Khrushchev has to look up the spelling.

Symptomatic of fluctuating *ridiculum* was the expectation in some Washington quarters that President Kennedy would have a word or two about Gov. Nelson A. Rockefeller's announced intention of a divorce. This is not to say that Democratic circles



Americans expect the President to have penetrating comment on everything from baseball to Soviet crops

failed to estimate quickly and a mite hopefully the possible effect of marital discord on the New York Republican's political future, but to think that President Kennedy or any major political leader of either party would have anything to say in public about Governor Rockefeller's sad announcement was more than ridiculous. It was downright nutty.

Since a President is supposed to be virtually orbital in his knowledge, his friends expect it to be revealed to them in advance. Nothing pains a self-appointed Washington insider as much as having a President act independently and without prior notice. Thus there was a great deal of pain in our city recently when President Kennedy reshuffled the second eche-

lon of the State Department without Joe Alsop or Walter Lippmann having said a word about it to their faithful.

Not that Alsop and Lippmann were pained. But they had not dropped the sort of advance hints on which the truly outside insiders base their cocktail sallies which begin with, "I heard confidentially . . ."

It was a mean thing the President did to the gossips, shifting Chester Bowles, Averell Harriman, George Ball and all those other people around without so much as a shred of an advance whisper. And doing it on a Sunday night in Hyannis Port—that was the unfair part of all. Quite seriously, in less than an hour after President Kennedy's press secretary, Pierre Salinger, made the shake-up announcement on Cape Cod, the office of the Washington Capital News Service received dozens of telephone calls, many from government officials and key embassies, wanting to know generally—could this be true, coming on a Sunday night, from Cape Cod and without the slightest tip-off from anyone?

Thus, it is against a busy and sometimes bewildering background that the President and his Administration head into a new year, a year that in many ways seems likely to challenge President Kennedy's mettle more than 1961.

For one thing, the President and his New Frontiersmen will receive no allowances in 1962 for being new on the job.

With the off-year elections coming up this fall, the political lines on Capitol Hill will be appreciably tighter than they were last year. Bipartisan support will be much harder to come by except for most urgent matters of national security, and even in this field no appropriation request will go unchallenged.

If the Republicans and more conservative Democrats have ceased granting the Administration apprentice allowances, this is doubly true in the foreign chancelleries. President Kennedy is now a known quantity and quality.

On the home front, President Kennedy's political fight will not be confined to regulation Republicans. In the closing weeks of 1961, he elected to open a frontal attack on those he described as right wing extremists. From the language he used and examples he cited without calling names, his target obviously was the John Birch Society and those of allied beliefs. The justice of his case quite aside, the President selected difficult targets because they are people largely without responsibility for conduct of government and thus in a position to counterattack with the sort of wild-flying rocks and bolts customarily not included in the ammunition lockers of those in or seriously aspirant to elective posts.

Midway his first year in office, the President said that, without actually occupying his chair, it was impossible to appreciate in advance the gravity and weight of his responsibilities. His appraisal of the job should be even more interesting by the end of 1962. In the interim, he not only needs, but he has the best possible wishes of his countrymen—not for greeting card happiness, but for clarity, steadiness and calm confidence.

They fail, and they alone, who have not striven

BY FELIX MORLEY

THOSE WHO REMEMBER Thomas Bailey Aldrich, who died 55 years ago, probably recall him not as editor of the *Atlantic Monthly*, nor as a poet of distinction, but simply as author of *The Story of a Bad Boy*.

This engaging autobiographical tale, first published shortly after the Civil War, was a case study in what we would today call juvenile delinquency. Like Tom Sawyer and the Penrod stories in its train, the book revealed far more knowledge of adolescent psychology than is possessed by many a present-day educationist. And its underlying theme, to quote a line used by Aldrich in one of his poems, was simply:

"They fail, and they alone, who have not striven."



To the so-called educationists of today this Nineteenth Century aphorism is likely to seem rank heresy. Let us cite, for instance, Dr. Warren A. Ketcham, professor of education at the University of Michigan, who argues that teachers should never use the word "failure," either to child or parent. Their sternest reprimand to the biggest nitwit should be: "You're learning the least of the pupils in my class."

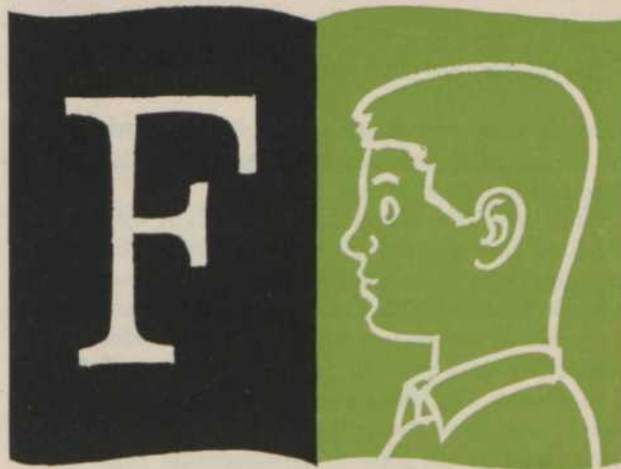
"Children," continues Professor Ketcham, "are able to accept, without emotional harm, the idea that they aren't doing as well in class as others. But this doesn't call for being labeled a failure."

The first of these two pronouncements is certainly valid, to the extent of almost comic understatement. Most men who look back to their schooldays will agree, as Aldrich did, that they suffered absolutely no emotional harm when backward in their studies. The dubious honor was to lead one's class. This meant a label far more opprobrious than that of failure—such as grind, bookworm, or teacher's pet.

Those of us who study our own children, or grandchildren, also know that this remains a prevalent attitude with boys today, and probably always will. Girls, of course, are different. Being incompetent in athletics they should in fairness be allowed the shallow satisfaction of shining in recitation. Where failure is disgraceful, for the healthy male juvenile, is in fumbling a forward pass or muffing an easy out-

field fly. If taken seriously, and unfortunately they often are, the easy generalities of professors of education will do great harm. "Being labeled failures and feeling unwanted," says Dr. Ketcham, "children lose interest in continuing school. They begin to escape into day-dreaming and ultimately form little cliques, which frequently generate hostility toward both parents and teachers."

The exact opposite is probably nearer the truth. Many, if not most, outstanding Americans have at one time or another been labeled failures, and from that salutary shock have acquired the incentive necessary for success. It is the pampered and undisclosed failure who day-dreams, not the one who is sharply summoned to account. As Benjamin Franklin tells of his own schooling, in his famous "Autobiography": "I



The youngster spared from failure in school will be treated less kindly later when he fails in society

failed in the arithmetic and made no progress in it. At 10 years old I was taken home to assist my father in his business."

It is most unlikely that children ever turn into gangsters merely because they have been labeled failures, as the Michigan professor seems to suggest. More probably they tend to deteriorate, mentally

TRENDS: STATE OF THE NATION

and morally, precisely because so little competitive effort is expected from them by modern educational theory. Few of us are inclined to exert ourselves more than circumstances demand. Where there is no challenge there is no response. Turn the heat on the "bad boy" and he will soon begin to exercise his talents for his own and the general welfare, as Thomas Bailey Aldrich told and showed us.

Of course every child will not respond to the label of failure, "in the arithmetic" or otherwise, as resolutely as did Ben Franklin. That a certain proportion of the population will never achieve success is a lamentable biological fact. But it cannot be remedied merely by striking a disagreeable word from school report cards.

It is of course possible, and is frequently the practice now, to pass every incompetent through to graduation under the listing of "satisfactory." What that

responsible for removing from the schools that disciplinary content which the very word "schooling" implies. The educationist, in modern scholastic jargon, is one who teaches methods of education—such as not failing any student—as contrasted with the educator, who teaches subject matter direct. The actual teacher, of course, knows failure when he or she sees it. Only those who presume to teach teachers how to teach can seriously argue that the fact of failure should be concealed until it is unceremoniously exposed in later life.

Fortunately there is no unanimity among educationists on this, or other, aspects of what they like to call "methodology." To offset the viewpoint of Dr. Ketcham one may cite the opinion of Dr. June King McFee, a professor of education at Stanford University. Her major interest is in stimulating creativity among school children and she says that her technique is "to try to turn failure into a stepping-stone to success." This has the pleasant ring of an old but almost forgotten text: "If at first you don't succeed, try, try again."

With such discord among the educationists it is no wonder that the real educators—those who do the actual teaching—are confused. One school administrator tells them never to fail a backward pupil; another points out that to do just this is often a healthy stimulus to the lethargic. There is much similar contradictory cross-fire. Caught in between, it is not surprising that many teachers are discouraged and demand ever higher compensation for work which of itself used to be regarded as rewarding.

In their effort to find out what has gone wrong with American education, parents have not paid enough attention to the dubious role of the educationist. He too easily regards himself as qualified to teach the teachers. An equally valid opinion is that the teacher without natural professional talent will never acquire it merely by learning arbitrary and often questionable techniques. On the contrary, natural pedagogical ability is likely to be crushed under a heavy load of administrative rigmarole.

This outcome is the more probable when the teacher is deprived of all disciplinary authority, for without discipline anything worthy of the name of education becomes impossible. The discipline of the rod has long since been eliminated, and none argue that this brutal method should be restored. That of the dunce cap is also gone. Almost the only authority remaining to the teacher now is that of grading students according to their performance, and even this is often severely circumscribed.

When failure in performance receives such easy toleration, the habit of failure naturally tends to become ingrained. Then the consequences of unfulfilled educational responsibility have to be shouldered by society as a whole.

What is even worse is the threat to the integrity of the teaching profession, when teachers are compelled by their own superiors to make dishonest appraisals and give dishonest grades.



When Benjamin Franklin failed in arithmetic his father put him to work in his business

means is a rude awakening later, at hands which cannot be so solicitous about emotional harm as are those of the educationists.

Sometimes the lesson must be taught by the drill sergeant, called upon to hammer the rudiments of discipline into those who were allowed to scorn it in home and school. Often the ignored instruction falls to the lot of the police, who find that conduct called satisfactory in school is far from being satisfactory on highways. Continuously the burden falls upon employers who have made the well meaning mistake of giving responsible jobs to irresponsible high school graduates.

In all these cases the basic function of education, which is not to coddle children but to prepare them for good citizenship, is being passed to agencies that are not supposed to have educational competence. The youngster who was never failed in school learns suddenly, and roughly, that he is failing in society. The consequent damage to his or her morale is far more damaging than a timely warning on a report card.

It is the educationists and not the teachers who are

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Conditions here point to pattern for disastrous nationalization—as has happened in Great Britain

WITH U. S. TRANSPORTATION, particularly many eastern railroads, being rocked by accumulating troubles, those favoring government take-over are finding a wider audience. It may be vital, therefore, to note how this approach has worked out abroad.

Great Britain is a natural for this; it has had many of the same traditions as the U. S. A. and offers a recent, sharply outlined case history of what transport nationalization means. Does the British experience have meaning for America?

"You Americans should not deceive yourselves about what happened here," declares Prof. Gilbert J. Ponsonby of the London School of Economics & Political Science. "Nationalization of transport in Britain has been a total failure in three basic respects:

"First, in its primary objective of integrating all transport into a smooth-working efficient machine.

JAMES N. SITES, author of this article, is currently touring 20 foreign countries, including Britain, to study transportation. He is on a grant from Eisenhower Exchange Fellowships, Inc., and on leave from his regular job as manager of news service for the Association of American Railroads.

Second, in its human relationships. And third, financially.

Wherever one looks in Britain today, the validity of this assessment is evident. The transportation industry is unstable; worker morale has been shattered, and the annual reports of the nationalized carriers show chronic deficits.

In London and other parts of the Isles, industrial traffic managers, travelers, and the public generally share Professor Ponsonby's views, as do many government officials and leaders of the British Transport Commission in private talks. As one BTC executive puts it:

"We can't turn back the clock here. But you Americans still have a chance to avoid this trap."

How did it happen to Britain?

Privately owned transportation in Britain had long suffered from the same problems evident today in the United States. Growth of highway hauling after World War I brought sweeping changes in the industry's competitive environment. The old rail monopoly was ended. Multicarrier competition became the rule. Government's elaborate regulatory structure creaked and groaned, as things went from bad to worse for the railroads.

In 1945 a Labor Government was elected. Labor made no bones about its intentions: It was out to put into effect its half-century-old scheme to nationalize and forcibly integrate all major transport industries, as well as steel, coal, gas and electricity.

One observer described the objective this way:

"It set out to make itself master of the whole economy by taking over those industries and serv-



ALAN CLIFTON (BLACK STAR)

England's plight: Warning to U.S. transport *continued*

ices on which all the rest depended. With these in his hands, the socialist politician saw himself in the position of a medieval baron who controlled the whole neighborhood because he controlled all the fords, bridges and crossroads."

Of all the control schemes, the nationalization of transportation has been termed Labor's most ambitious effort. The Transport Act, 1947, provided for the creation of the BTC as an enormous monopoly. It was to take over, reorganize and operate the four private rail systems. Since the scheme could tolerate no competition, it was to do the same with long-distance trucking, much of the canal and port facilities and London commuting by both road and rail. Also given BTC was the stupendous extra job of drafting detailed freight rate and passenger fare schedules and of reshaping all bus operations and ports.

R. Kelf-Cohen, a retired British civil service official, describes Labor's transportation goals in his book on "Nationalization in Britain":

"No person or freight was to be transported for reward by rail, road or water, except under the jurisdiction of the Transport Commission or under some scheme promulgated by the Commission and approved by the Minister (of Transport)."

He declared that "never in the history of indus-

try had a group of men been saddled with so many and such vast responsibilities in such trying conditions."

The task imposed on BTC was practically impossible, even if realistic planners and knowledgeable administrators had been available and given means to do the job.

Neither of these conditions was fulfilled. In their attention to ends, the theoreticians were guilty of unbelievable oversight of means.

Stating the views of Britain's disillusioned original advocates of nationalization, Mr. Kelf-Cohen remarks that in those bright early days. . . .

"There was magic in the words 'Public Board' or 'Public Corporation.' They were to be staffed by selfless men of outstanding ability, devoted to the national interest. We assumed that such men were to be found in large numbers. . . . We also assumed that the workers in the industries would be transformed by the act of nationalization and devote themselves to the national interest.

"Thus the combination of selfless management and selfless workers would bring about the brave new world of socialism."

Labor spokesmen promised the people a highly streamlined transportation system in which the waste of duplicated facilities was to be eliminated; goods would move via the best carrier for each job; the public would get improved service.

This glowing picture was hardly exhibited before it began to fade. Transportation in postwar Britain meant railroading—and still does for most national service. Yet the reality of those rugged years was

best summed up by the Chancellor of the Exchequer, who labeled the war-hit railroads "a wretched bag of assets."

The wheels had literally been worn off the lines' rolling stock by years of wartime traffic overloads. Since all resources had to be devoted to the war effort, maintenance was held to a minimum. In 1945 the system was in a sad state of exhaustion and disrepair.

Worse still, the British railroads had entered War II in bad physical shape. Essential capital investment had been cut off by years of depression and skimpy earnings. Not even the 1920's had brought anything like the prosperity the U. S. knew. After World War I, railroad troubles had become so serious that, with the blessing of government, the 123 private companies had been merged into four systems.

Then came the truck and bus and the private automobile, all diverting large chunks of business from the railroads.

Many of the trucks were army surplus vehicles put into operation on a free-wheeling, unregulated basis by veterans.

"It was like taking candy away from a baby," a British trucking official says. "We merely looked at the published railroad freight rate, then went to a shipper and offered to haul his products for 10 per

cent less. If he gave us a back-haul, we would do the job for 20 per cent less."

Since the old rail tariffs were based on the value of commodities rather than the cost of hauling them, high-rated merchandise shipments fell easy prey to trucks. And, since the railroads had used the profit on such shipments to offset low rates on bulk traffic, this loss played havoc with rail finances. (An almost identical story was unfolded in America.)

Effect of regulation

When the railroads tried to recast their rate structure to meet the new competition, they ran up against a stone wall of government regulation. As in the U. S. today, long delays and difficulties were encountered in reducing prices, and many practices normal in other businesses were not permitted.

As competitive and financial losses mounted, the prewar railroads pleaded for relief from their regulatory strait jacket. They also bought into bus operations and set up truck subsidiaries in order to compete more effectively. Another goal was an equalization of tax burdens between road and rail carriers—lower property taxes (or rates as the British term these) for railroads, and additional levies on competing carriers using public rights of way.

In 1938 Britain's *(continued on page 78)*

Morale is British transport's most disturbing problem, government officials admit, because the workers resent way people are handled under nationalization





WHAT YOU CAN DO ABOUT

Authorities recommend two important weapons for Americans

MANY BUSINESSMEN today are asking what they can or should do about communism.

You or your employees may feel strongly that your company should sponsor anticommunist rallies, or provide space for seminars or lectures by former counterspies, or that you should join various groups working to put the Reds in their place.

Yet warnings come from President Kennedy and former President Eisenhower that some groups do more harm than good to the cause of fighting communism.

You will want to examine each proposal on its merits. But authorities on communism agree that you can contribute to blocking it by doing two things:

- ▶ Working to understand the enemy.
- ▶ Working to strengthen the United States.

These two steps are not bold or dramatic or extreme.

Nevertheless, they reflect the collective viewpoint of many of the nation's top anticommunist authorities.

FBI officials say knowledge is the greatest weapon in the fight against the communist conspiracy. Armed with the truth about communistic evil and aware of the basic freedoms which America upholds, our citizens as well as those of the uncommitted lands will be immune to communist indoctrination.

The apparent simplicity of a program of understanding is deceptive. It can, in fact, challenge your initiative and your imagination, tax your energies, and test your moral fiber.

Knowing your enemy and understanding his ideology, tactics and strategy require study and application. Working to strengthen the United States is an even bigger task.

Communism feeds on trouble and in a free, dynamic society there are always problems for the people to solve.

Communism poses as the answer and fans the faintest ember of human discontent.

These tactics have scored their greatest advances when people are inclined to take the easy way out of their troubles.

Understand the enemy

The first step in fighting communism is to understand it.

Only as we know its goals, its tactics, its ideology and strategy can we fashion a militant defense against it.

The goal of communism is clear: world domination. This fact is basic to an understanding of all communist tactics and strategy.

A direct relationship exists between the crushing of Freedom Fighters in Hungary and the harassment of traffic to West Berlin; between agitation in Laos, Cuba and other parts of the world and the capture of a Russian spy in New York.

From the standpoint of the American people, Soviet subversive activities can be divided into external activities and internal activities (those that take place within the United States).

An examination of both external and internal communist tactics can help us decide how they can be met.

Central to Russian communist operations in international affairs is a tactic called controlled conflict. It is applied to all possible situations—political, economic, cultural, scientific, military.

It ranges from diplomatic maneuvers and economic penetration to aggression by native puppet forces as in Korea and Laos.

COMMUNISM

A typical Soviet technique follows this general outline:

Create a crisis. Any kind of a crisis will do, just so it threatens or appears to threaten the peace.

Make exorbitant demands as the price for easing or settling the crisis. The demands are unreasonable but not outside the possibilities of negotiation.

Call for negotiation, depending on world opinion to force the West at least to talk things over.

Agree to compromise on the initial demands, showing the world a reasonable attitude.

Consolidate the gains, relax the crisis and after a time begin the process all over again.

The Russians believe that by promoting unstable conditions the chances for organized communist takeovers are enhanced.

This is the ultimate goal. In the words of one observer who interviewed Nikita Khrushchev:

"It was plain that in Khrushchev's view the uncommitted group of countries was a sort of infant class or prep school through which the excolonial countries pass before graduating as socialist states and joining the socialist camp."

To this end, the Russians are training native military forces in the Soviet Union, moving as rapidly as possible to strengthen local communist parties which can, today, function within a framework of legal activity, and tomorrow assume a revolutionary role. They are taking every opportunity to enflame local leaders with nationalism and to encourage outright breaks with the noncommunist world.

While the communists engage in activities to win friends among the uncommitted, they engage, at the same time, in campaigns to divide and weaken the non- or anticommunist peoples. Distinguishing features of such campaigns include:

A concerted effort to discredit the United States and to shake the confidence of noncommunist nations in the wisdom, responsibility and reliability of American leadership.

Threats and warnings directed at countries with American military bases or countries otherwise in-

clined to align themselves with the United States.

An active program to weaken western (and increase communist) influence in Latin America and among the newly emerging African states.

An effort to exploit the sincere desire for peace in the noncommunist world through propaganda in support of peaceful coexistence.

It must be understood, of course, that peace to the communist means nonresistance by the West.

A drive to persuade the West that the only alternative to all-out nuclear war is a realistic and reasonable adjustment to peace—on Soviet terms.

A major task of communists in the United States is to promote the controlled conflict program. They assist in creating the crises, in confusing the issues, in discrediting the United States, and in weakening the will of the American people to resist.

The Communist Party, USA, was organized in 1919. For the first 10 years, members were admitted to the Communist International (Comintern) after agreeing to abide by all decisions of the Comintern, and binding themselves to support the Soviet Union in case of war between Russia and the United States.

During the depression communism capitalized on the miseries of the unemployed and promoted itself as an "alternative to economic collapse." Party membership grew.

During that period, communism had particular success within the American labor movement, ultimately gaining control of 11 unions. However, labor struck back in 1949 and 1950 when the Congress of Industrial Organizations expelled these communist-dominated unions which, by then, represented more than 700,000 workers.

Despite determined and overwhelmingly successful efforts to keep their ranks free of communists, unions remain a major target of communist recruitment.

In the late 1930's, the rise of fascism in Germany and Italy provided an opportunity for communism to don the cloak

(continued on page 53)





QUALITIES OF VICTORY • PART 3

Our heritage has given us the strengths to defy tyranny, conquer a continent, build a nation. In these qualities we find the power to win the cold war—or the hot. This is the third in a series of articles by nationally prominent men describing these qualities

ENTERPRISE

BY DR. EDWARD H. LITCHFIELD

FOR a fiercely competitive people, we Americans have been remarkably feeble in responding to the Soviet challenge.

Report after report from our own visitors to the Soviet Union tell of the systematic cultivation of its total manpower. Yet we continue to squander the abilities and the potential of large numbers of our people.

The opponents' victories have not spurred

The author, DR. EDWARD H. LITCHFIELD, has won prominence as an industrial executive, an educator and a government administrator.

He is chairman of the board of Smith-Corona Marchant Inc., a member of the executive committee of Studebaker-Packard Corp., and a board member of Avco Corporation and Allied Products Corp.

Since 1955, he has been chancellor of the University of Pittsburgh. Earlier he was dean of the Cornell Graduate School of Business and Public Administration.

In public affairs, Dr. Litchfield took a leading role in the political reorganization of post-war West Germany. He is the author of several books and articles.

In this article, he stresses the need for making full use of our enterprise and resources.

us to new effort. In fact, in an alarming number of young people—and in some of their elders—Soviet success has generated an attitude of resignation. This is not the response of a great competitor.

If we are to survive, we must be able to compete effectively, and we can do this only if, as a nation, we will demand full and constructive occupation for all our people at their full capacity, all the time. With such a postulate, leisure can be deliberately rejected as a national goal and work can again become a dominant value and a part of the American ethic as it was in our nation's formative years.

When it again becomes such a value, it must be clear that it is not only to meet a strenuous competition but because people are happier when constructively occupied and because nothing is more immoral than wasting the capacities with which we are endowed.

Two years ago, on his visit to this country, Khrushchev warned America: "We will catch up with you . . . we will wave . . . we will pass you by." He spoke with the assurance of a man who can call up the total human resources (*continued on page 42*)

Check your management costs

199 companies join in major research project

RESEARCH HAS FOUND a new way to boost management efficiency.

For the first time you can compare your company's effectiveness with that of other companies like yours—some of them your competitors.

An intensive research project carried on by the American Management Association and 199 companies is forging an important new management tool to help you meet the profit squeeze. It won't give you the answer to cutting overhead—but a new way to find the answer.

The principle involved is basically simple. If you know in what proportions the employees of a cross section of comparable companies are distributed in their various job functions, you have a basis for analyzing your own employee distribution.

If the ratio of your employees in a particular job is near the median for similar companies, well and good. If it is significantly above the median, however, a finger has been pointed at an area where efficiency is likely to be lagging.

There probably is a reason why you have more employees in this job than most other companies, but only a thorough investigation will tell you whether the reason is a good one. If it is not, you have found a spot where efficiency can be boosted and overhead cut.

If your employee ratio in a particular job is significantly below the median, investigation may show unusual efficiency in that department or that expansion would mean greater effectiveness.

"This project will lead to an annual yardstick which will provide industry with benchmarks it has felt the need of, but never possessed,"

says William R. Swett, director of industrial engineering for International Business Machines, one of the participating companies. "For the first time, enough companies are getting together that we can determine norms in specific industries and norms that cut across industry."

During the past 50 years the proportion of people in administrative, staff, and other indirect tasks has risen sharply while the percentage of workers in direct production has dropped. Business has lacked standards for output in this overhead group similar to those it has for production workers.

Scope of project

It was this lack of a vital management yardstick that led to the AMA's Group Ten Research Project early in 1959, with 29 companies participating at the start. The primary purpose is to determine ways of setting proper standards for staffing overhead and administrative work. It was given the name Group Ten when it was first believed that 10 companies would form a logical working group. Despite its growth, the tag has stuck.

Participants now total 160 manufacturing companies and 39 insurance companies in the United States and Canada. Data covers 1.7 million employees. The companies range in size from several hundred employees to industrial giants, and their combined annual sales volume is \$35 billion. The AMA expects to expand the project to include banks, utilities, transportation companies, and large retail units. Any company willing to submit the required detailed information on its work force may take part.

Major industry groups in the

project include chemicals, drugs, petroleum and rubber, metal fabricating, aircraft, machinery, electronics, electrical machinery, food, paper and textiles, primary metals, instruments, and insurance.

Participating companies submit detailed information on their personnel distribution. Then AMA compiles and analyzes the data and feeds it back to the companies in a tabulated form which permits managers to compare their own use of personnel with industry medians. The confidential nature of some of the information restricts the AMA in the details it can release, and reluctance to disclose company plans leads many participating executives to request anonymity in describing how the data is put to use.

Over-all conclusions

Here are some of the broad conclusions, still labeled "tentative," which have emerged from analysis of the data gathered in the project:

The proportion of employees in accounting and finance is not affected by the proportion of people in electronic data processing. (It had been suspected that more people in data processing would mean fewer in accounting and finance.)

The percentage of people in personnel work increases faster than total manpower.

The proportion of personnel people is apparently independent of the degree to which authority is centralized in a company.

The greater percentage of high-salaried, skilled employees a company has, the greater its percentage of personnel workers.

The number of employees under each supervisor goes down as plant
(continued on page 65)

HOW DOES YOUR COMPANY COMPARE?

Here's the way employees are distributed in various functions
in the industries taking part in the Group Ten Project

	GENERAL ADMINISTRATION	MARKETING	RESEARCH & DEVELOPMENT	TRANSPORTATION	MANUFACTURING, PROCESSING	EXTRACTING, PRODUCING	% of total workforce engaged in each function
ORDNANCE	0	47.0	.5	27.7	5.7	16.2	
FOOD	0	60.1	1.6	2.7	16.0	11.4	
TEXTILE	0	81.3	.5	1.8	6.3	4.7	
PAPER	3.6	75.5	1.1	2.6	5.9	7.1	
CHEMICALS	.2	58.5	.6	12.1	9.8	11.5	
DRUGS	0	48.2	.2	13.0	24.0	13.3	
OIL	14.9	21.9	11.5	4.2	18.5	17.8	
RUBBER	0	48.2	.2	13.9	12.2	9.6	
STONE, CLAY & GLASS	0	73.1	.4	4.8	9.7	7.4	
PRIMARY METALS	0	76.1	.8	2.6	5.0	8.1	
FABRICATED METALS	0	68.6	.3	6.2	10.8	9.8	
MACHINERY (NON-ELECTRIC)	0	67.2	.2	8.3	13.0	10.9	
MACHINERY (ELECTRIC)	0	62.0	.2	12.6	6.8	10.0	
ELECTRONICS	0	55.7	.2	18.8	6.3	10.0	
TRANSPORTATION EQUIPMENT	0	65.5	.4	17.2	3.9	10.5	
AIRFRAME	0	56.4	.4	23.2	3.8	11.0	
INSTRUMENT	0	48.3	.2	26.5	10.7	11.2	

Figures represent medians. They do not total 100 per cent because a few accessory functions are omitted.

WORKERS FIGHT UNION RULES

How outcome of disputes can affect your business

UNION POWER over workers faces important tests this year.

At issue are such questions as company hiring practices, pay scales, workers' job rights, political freedom. The battle is spreading to the courts, Congress, state legislatures, government boards and the polls. Interest will center on:

- ▶ Union limitations on worker earnings.
- ▶ Political freedom of workers.
- ▶ Job rights when a business moves.
- ▶ Rights of strike replacements.
- ▶ The right to work without joining or paying a union.

Union restrictions

"If the union would lift the ceiling on how much a member could earn," an official of Wisconsin Motor Corporation told NATION'S BUSINESS, "we could reduce prices and sell more engines."

The West Allis, Wis., firm makes heavy duty air-cooled engines for highway and farm equipment.

Its complaint is aimed at Local 283 of the United Automobile Workers whose national president, Walter P. Reuther, contends that our economy isn't growing fast enough.

The more than 800 production employees of Wisconsin Motor are forbidden, under a rule imposed by Local 283, to average more than the pay ceilings fixed by the union for various jobs. On a Grade 1 job, for example, the ceiling is \$2.62 an hour in combined hourly and piecework pay, or \$21.96 for an eight-hour day.

Penalty for earning more than the ceiling: \$1 fine without union trial for each routine violation; unlimited fine and one-year suspension from the union after conviction by a union trial committee for "persistent and flagrant" violations.

Last April, six members of Local 283 were convicted, fined from \$35 to \$100, and suspended from the union for up to a year. The worker who re-

ceived the top fine and longest suspension had averaged about \$12 above his \$110 weekly ceiling over a period of 12 weeks.

The man reportedly told the union committee when confronted with the charges: "I plead guilty to earning money."

The union began fixing pay ceilings in 1946 in a resolution which stated that they were necessary to protect the health, welfare and safety of the members. Routine fines of \$1 have been common, but not until last April did the union take more drastic action against repeated violators.

On complaint of four of the penalized workers, General Counsel Stuart Rothman of the National Labor Relations Board a few weeks ago charged the UAW local with coercing the employees in violation of the Taft-Hartley Act.

The fines, he said, "will have the reasonably foreseeable effect of discouraging employees, who are paid on a piece-rate basis, from meeting the employer's production requirements and require them, in effect, to engage in a slowdown."

Investigation by the Board's staff revealed that practically all of the workers reach their quota by 1 o'clock, although the working hours are 7 a. m. to 3 p.m., then sit idle until quitting time; that the workers spend half an hour a day figuring their quota, and the union stewards circulate through the plant putting on the tool box at each machine a slip of paper on which is written the pay quota for the operator of the machine.

Mr. Rothman considers the case, first of its kind, a test of the law's ability to cope with union disciplinary actions which affect a worker's rights and responsibilities to his employers.

Wisconsin Motor management has persistently fought the union-imposed pay ceiling which also limits production and boosts unit cost. It was one of several issues in a 15-week strike in 1956, after which the union made a slight concession: The pay ceiling was raised 10 cents an hour. A company spokesman

says, "We take the position that our employes should earn as much as they can. We have resented the ceiling. It is not right, and it is not fair to our employes. We could also reduce prices and sell more engines if the ceiling were lifted."

In a situation similar to that at Wisconsin Motor, five members of another UAW local, No. 971, have been fined up to \$195—and three of the five have been suspended from the union for two years—for refusing to engage in a union-ordered slowdown intended to put collective bargaining pressure on Bendix-Westinghouse Automotive Air Brake Co. at Elyria, Ohio.

Most of the employes had been producing about 35 per cent above normal standard, and receiving extra pay as provided in the labor agreement with management. To force a bargaining showdown, however, the union ordered workers to limit their production to the normal standard under pain of fine and suspension. The five failed to heed the order and were tried, convicted and fined by a union committee.

Appeals to the international union and, if necessary, to the federal courts under provisions of the Landrum-Griffin labor reform law are contemplated.

Suspension from a union usually deprives a member of the union-controlled benefits his dues have earned for him and subjects him to a certain amount of social ostracism. The latter is particularly true in UAW-organized and other plants where all workers are usually forced to join the union under an all-union shop agreement.

Political freedom

Politics inside and outside a union can affect a worker's right to work and your right to employ him without union harassment.

Before the NLRB are cases of union members who are unable to get work because they campaigned for the losing candidate in an election for union office. Where the union serves as a hiring hall in casual employment industries, such as construction and maritime, the union does not refer the offending member to a job. When he appears at the hiring gate, the employer is put under pressure not to hire him.

A member of the Boilermakers Union who was so ostracized complained to NLRB and was awarded more than \$500 to cover pay losses, divided between the employer and union. He has been unable to work at his trade for almost seven years.

Asserting his rights in national politics sometimes gets a union member in trouble, too, when he takes a position opposite to that of the union.

A former officer in a local of the United Steelworkers complains that he was forced to resign his post, eventually lost his job and has been out of work almost since the day his letter supporting Richard M. Nixon for president was published in a newspaper just before the 1960 election. The union supported John F. Kennedy.

When the union officers (continued on page 77)



“I asked myself
if I was in America
or Russia”



“I plead guilty
to earning money”

A LOOK AHEAD by the staff of the

Action near on tax proposals

(Taxation)

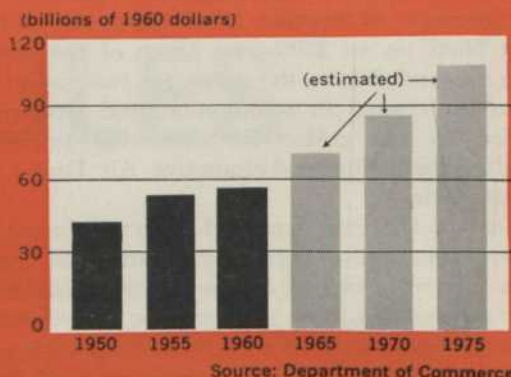
New dollar crisis threatens

(Credit and finance)

Moderate freight rise expected

(Transportation)

New construction rising to record levels



AGRICULTURE

Farmers' buying power will continue strong this year.

Net income for all farm operators in 1962 is expected to average about \$12.7 billion—the same as is estimated for 1961—about \$1 billion above 1960, according to the Annual Agricultural Outlook Conference. Most of this will be increased payments from the federal Treasury.

Cooperating producers of dairy products, soybeans, wheat, feed grains, and cotton are assured of favorable prices in 1962 via the higher price supports established in 1961. Carryover stocks of soybeans, dairy products and cotton are increasing. The 1962 wheat and feed grain programs and small cotton acreage allotments will attempt to reduce the production and carryover of these crops.

The Agriculture Department expects hog marketings to be a little higher in 1962 with prices a bit lower. Cattle prices will average close to the 1961 level. There will probably be more eggs at lower prices. Broiler production and prices may continue near 1961 levels.

Production expenses will likely climb a little.

CONSTRUCTION

The construction industry is moving into a new era of accelerated growth in which it will account for an increasing share of national economic activity.

New construction activity, which

totaled \$55.6 billion in 1960, will reach more than \$107 billion (1960 dollars) in 1975, a 93 per cent increase. Gross national product is expected to grow 67 per cent over the same period. New construction, which has been about 11 per cent of GNP in recent years, will move up to more than 12.7 per cent in 1975.

Population change and technological improvement will generate this coming wave of new construction.

This growth, coupled with a continuing migration to cities, will combine to produce unprecedented demands for public facilities.

During the same years, technological improvements will increase the need for new industrial and commercial plant. All these demands will mean more construction in the transportation and communications fields.

CREDIT & FINANCE

As 1961 drew to a close, our international balance of payments deficit was showing an increase, as it did at the end of 1960.

If some of the knowledgeable predictions on the adverse balance of payments are borne out in the months ahead, it could result in a dollar crisis. It could bring about domestic credit restraint to reduce the adverse international gold and dollar flows. This restraint, in turn, could reduce the currently expected business improvement.

Exports have been almost stable since the fourth quarter of 1960, showing some tendency to decline.

Meanwhile, our imports increased nearly \$2 billion from late 1960 to the third quarter of 1961. Our net exports have been cut by 50 per cent since early 1961.

This meant the balance of payments deficit increased to a \$3.4 billion rate in the third quarter. Indications are that some such adverse rate may continue in 1962.

DISTRIBUTION

Marketers of goods, fretting over last year's consumer reluctance to spend more freely, are taking a hard look at these questions: What changes are developing in consumer tastes and preferences? Are consumers looking for new ways to spend their money?

Both suppliers and distributors know that people's incomes have steadily outpaced their spending on goods. But before new promotional ideas can be applied, market specialists must find out what new trends are shaping up.

To illustrate trends at work in one trade sector, a Bureau of Labor Statistics price analyst points out two influences in the apparel field:

1. Population growth, mainly young and old age groups, enhances demand for leisure apparel and work clothing. Both groups, according to the BLS expert, use leisure wear extensively.

2. Occupation changes will affect demand more and more. Agricultural and manual production workers are declining. Service workers, who like nice-looking clothes and snappy

Chamber of Commerce of the United States

uniforms, will increase 50 per cent in this decade.

FOREIGN TRADE

International trade, development assistance, and commodity problems will be strongly emphasized in the months ahead.

President Kennedy is pushing for a trade agreements program which will enable the United States to negotiate for trade concessions with the European Common Market to permit a continuing high level of U. S. exports without discrimination. (See "World Trade Battle Hits You," page 59.)

Recognition of the need to work in concert with other free world industrialized countries is characterized by the hope placed in the Organization for Economic Cooperation and Development (OECD), which brings 18 West European countries, the United States and Canada into an alliance to coordinate programs of trade and economic development already in being.

GOVERNMENT SPENDING

The \$10 billion increase in revenues which the President expects to help him achieve a balanced budget for fiscal 1963 may not be enough to offset the cost of spending levels indicated in some major programs.

If the Pentagon gets some \$51 billion in new spending authority, this will represent a potential rise of \$3 billion in defense spending over the current fiscal year.

A \$4 billion budget for space programs in the coming year would compare with \$1.7 billion appropriated for this year. Predictions of total space spending in the 1960's now approach \$50 billion.

On the domestic-civilian side, proposals to expand outlays for welfare would boost spending still further. Such proposals include continuing the temporary aid to dependent children of unemployed fathers and federally supported public works projects.

LABOR

Sen. John McClellan (D., Ark.) has requested early hearings on his proposal to prohibit concerted strike

activity by transportation unions if the effect is a substantial restraint of interstate or foreign transportation. His bill is aimed at the threat of a national transportation strike headed by Teamsters' President James Hoffa and Longshoremen's President Harry Bridges.

Another proposal by Rep. Dave Martin (R., Nebr.) would forbid industry-wide bargaining, a major cause of industry-wide strikes.

The Martin bill is intended to remove the power of international unions to dictate labor contract terms to all competing employers in an industry.

The McClellan bill is limited to the transportation industry, which includes shipping, trucking, railroads, and airlines. The Martin bill applies to industry generally, and excepts only the railroad and airline unions which deal with industries under the Railway Labor Act. It includes shipping and trucking unions.

NATURAL RESOURCES

The lumber industry is stepping up its efforts to improve marketing, develop new markets and new products, and increase exports. The effort is part of a strengthening of the national wood promotion program of the National Lumber Manufacturers Association.

This industry-wide program will also continue its aggressive merchandising and technical services activities.

Lumber production during the first 10 months of 1961 was 11 per cent below 1960. Shipments lagged seven per cent and new orders five per cent.

The supply picture is good. The U. S. is growing more wood annually than is being cut. The industry is looking ahead to improved domestic markets, to an increased tempo of building, especially residential, to new products, and to improving export business.

TAXATION

The House Ways and Means Committee is scheduled to act this month on tax proposals left over from last year. House action is probable next month.

The Committee in August re-

leased a discussion draft of a bill assembled as a result of the President's April tax message and the subsequent month-long hearings. Comments and suggestions on the draft bill were invited.

To date, comments have been few.

Areas under consideration include: the eight per cent investment credit, business expense accounts, mutual insurance companies, taxation of foreign income, gain from certain dispositions of depreciable property, tax treatment of cooperatives, and withholding of income tax on dividends and interest.

In addition, the Ways and Means Committee faces a number of other priority items.

These include: action on the expiring trade agreements law, extension of corporate and certain excise tax rates, raising the temporary debt limit, extension of renegotiation, and medical care for the aged.

TRANSPORTATION

The nation's transportation systems expect moderate increases in business in 1962, concurrent with the continued improvement forecast for the general economy. The airline industry expresses the most optimistic outlook in anticipating gains of five per cent.

Based on preliminary estimates, domestic freight movements for 1961 totaled 1.3 trillion ton-miles, practically no change from 1960.

For 1961 the railroads, with about 566 billion ton-miles, suffered a decline of about one per cent under the previous year.

The inland waterways and Great Lakes carriers' volume was estimated at 207 billion ton-miles, down about three per cent.

The trucking industry reported 291 billion, unchanged from 1960; while the oil pipelines, with 240 billion, posted a three per cent increase.

Airline freight, express, and mail reached a new high at just under one billion ton-miles.

In passenger-mile volume, the airlines showed a slight gain over 1961 with about 31 billion; railroads reported 20 billion, a slight drop from 1960; and intercity buses 21 billion, a small increase over the previous year.

"We worry more about idle plant capacity than idle human capacity"

of his country for the struggle in which we are now engaged.

America, too, can call up the total of her human resources to this struggle, but she cannot do it by governmental directive or any other single means. She can do it only by attacking her work problems individually. This involves a reappraisal of many of the customs of the nation and the development of specific programs fostered by leaders in specific fields at every level of our culture.

This is a more difficult way of undertaking the task, certainly. But in the end the effort evoked—voluntarily given and individually dedicated—will be more lasting and more effective than the bald requisitioning of human talent, which is the method of our enemy.

Here then are several major areas in which we are losing a tremendous amount of our human resources, together with some of the things we must do to restore these losses and make enterprising work a national goal.

1. Retirement

Let us start with what we lose from retirement. Without regard for a new and unprecedented life expectancy, our corporate, governmental and educational institutions follow arbitrary rules in determining the age at which a man no longer can contribute actively to society. The idea of retirement is perfectly sound if health requires it, if ability is slipping away, if it is demonstrably clear that a better replacement is available or if the retiree has shown that he plans to devote his time to some other useful occupation.

But if none of these conditions is met, retirement is unhealthy for both the individual and society. Complete and permanent freedom from engagement while ability remains is stultifying and degrading. This would be unhappy under any circumstance, but it is particularly unfortunate today when we urgently need every bit of ability available.

What shall we do about it? At least two things:

First, let's abandon the arbitrary practice of retiring everyone at the

same age. We know that people age differently and we treat them on the same arbitrary standard only because we are unwilling to make the hard decisions as to who is slipping.

Second, when people do retire for any of the acceptable reasons but still have a significant capacity for work, they should be expected to have a plan for community service. Indeed, for the sake of emphasizing the point, one might argue that pensions should be available to the able only if they have such a plan.

There are millions of jobs that such people could undertake to the great benefit of our communities. Retired teachers can volunteer for neighborhood nursery schools; carpenters, painters and maintenance people can build and maintain summer camps, paint and repair churches; corporation executives can work on hospital and school boards or run for public office. Thousands of men and women are needed in the Scout movement. Corporation attorneys can be used in legal aid bureaus. Cleaning up our cities, our roadsides, our rural slums would constructively occupy a large number of us who retire to lives of slow stagnation and boredom. Our community needs are myriad.

2. Women

Consider, also, the enormous waste that results from the role of women in our society. In the Soviet Union, 35 per cent of all the faculties in higher education are made up of women. Thirty-nine per cent of the engineering students and a majority of the practicing physicians and surgeons are women. A handful would be a generous estimate of the number of women in these professions in our country today. It is not because we cannot use more of them; the nation's needs for more teachers in our colleges and universities are staggering and the shortage of medical people is growing.

Next year we shall need 30,000 more college and university faculty members than we shall produce. We shall also need almost 2,500 more physicians than we shall graduate. Our schools desperately need 18,000 more graduate librarians.

Admittedly, we prefer the concept

that a substantial part of a woman's life should be spent in the home. But what about before she marries and after there is no longer a family at home to care for? Most children have left the home by the time an American woman reaches 45. The present life expectancy of a woman in this country who reaches 45 is 32 years. What about those years?

There are more than 16 million unemployed women in this group. Some have professional talents which are in particularly high demand today; there are biologists, chemists, nurses, teachers, and technicians among them. Even those who failed to acquire professional competence have enough skills to be of help, and yet they face two generations of life without planned responsibility.

Some 80 per cent of the young women who earned the baccalaureate degree this year will not go on to graduate professional study. If we are to do something about it, we must first let them know that we want them in our hospitals, on our faculties, in our laboratories and that we expect them to prepare themselves accordingly.

Counselors in the colleges should be pushing them actively in this direction. High school counselors and college admissions people should be encouraging large numbers to enter college with long-term plans. Parents should urge it and budget for it.

We must prepare our American women for constructive work before marriage and must plan their return to constructive employment when the home no longer claims their major attention.

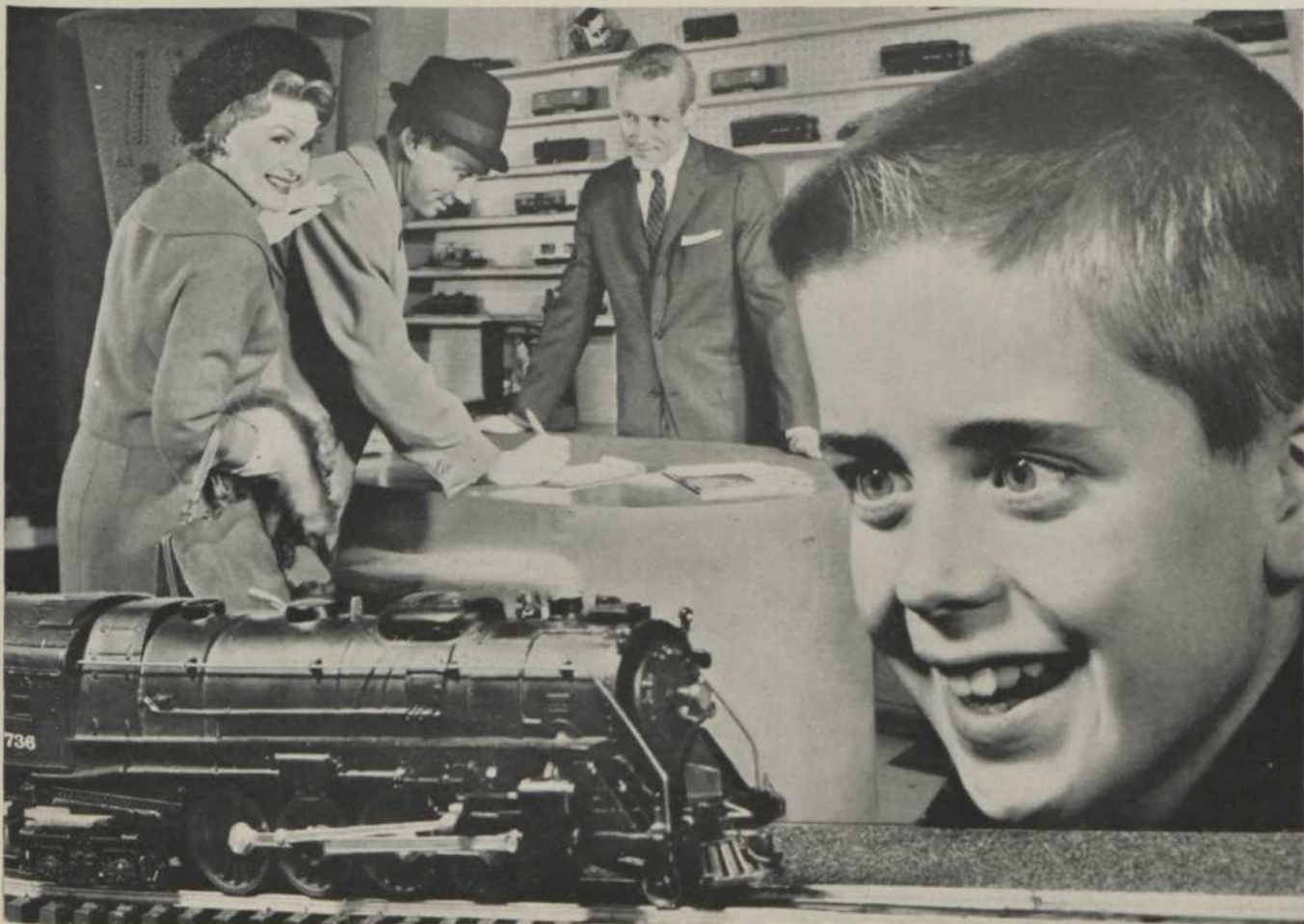
3. Minorities

Another tremendous resource we are wasting is our Negro population. This is unfortunate because of the loss of manpower it represents, and shameful in that the reasons should so often be foreign to the human values of our culture. Negroes make up approximately ten per cent of our people. Yet only one per cent of the 30,000 engineers we graduate each year are from that part of our population. Only three per cent of our new physicians each year are Negroes. This is barely enough to replace those who die and retire each year.

4. Unemployed

A loss of more general concern is that associated with unemployment. Everyone deplores the fact that in a period of major economic revival

(continued on page 46)



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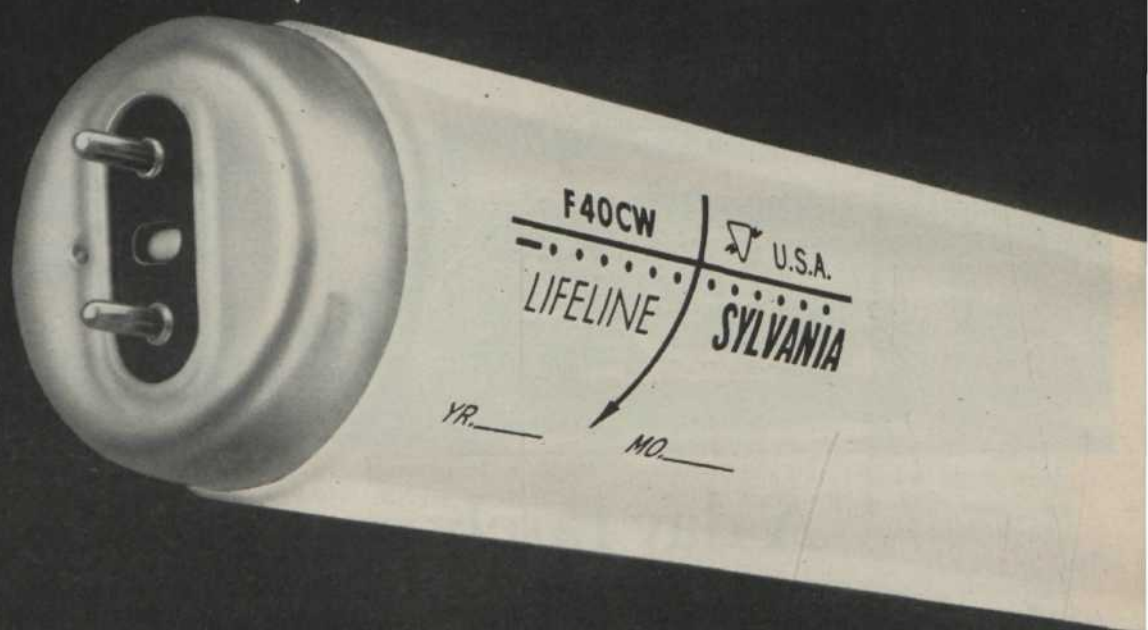
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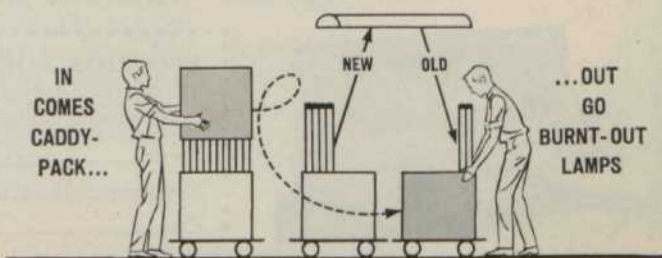
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we should still find four million of our fellows unemployed. A major retraining program is essential. It must be a planned and continuing activity in which industry, government, unions and educational institutions are all active participants. Unfortunately there are many who are malingering in our unemployment and welfare programs. They should be detected and put to constructive work. A nation in a competition which is just short of war must insist on constructive effort from many who might be considered unemployable in more relaxed times.

If we are to deal with these problems, we will require much closer manpower review systems and a more effective working relationship between manpower and welfare agencies. There is and should be a sharp limitation on the amount of this which the federal government can achieve. The largest and most difficult part of it must come from a new community attitude which simply refuses to countenance idleness.

5. Union, professional rules

We lose a tremendous amount of national manpower by arbitrary rules of unions and many organized professional guilds. These may take the form of insistence upon the use of more persons than the job requires, featherbedding, or the exclusion of able people from practice by subtle racial and religious discrimination. All are similar in that they are devices employed by the guild to protect itself at the expense of the national well-being. They all illustrate a lack of concern for the maximum use of our human resources.

6. School drop-outs

Many of our ablest young people don't advance their education beyond the high school level. More than one half of our best young minds—the most able five per cent of our high school graduates—fail to graduate from college.

But shocking as this waste of youthful talent may be, the reason for it is even more disturbing. Lack of money to pay for further education is not the primary cause. In roughly three fourths of these cases the explanation is lack of interest. This means not only lack of student interest but also lack of parental interest, lack of a compelling

value in the secondary school system, lack of community insistence upon the maximum development of the abilities which a young man or woman possesses.

Our nation has a curiously confused practice of requiring education at the secondary level for people whose abilities do not justify 12 years of schooling and at the same time making higher education optional for those whose superior abilities dictate a full liberal and professional education. What shall we do about it? We might make higher education virtually compulsory for those superior high school graduates whose talents the nation needs in its competition with communism.

In the last analysis all of these wastes of human resources exist because our nation is willing to tolerate ability working at but a fraction of its full capacity. We write, analyze and worry more about idle

Coming in February— Qualities of Victory, Part 4: Ingenuity, by a prominent inventor

plant capacity than idle human capacity. To win the international competition we must worry about both.

Our real problem is the absence of a constructive and all-pervasive national attitude toward the use of the capacities with which we were born. To use those capacities is to work. To use them fully is to be fully at work. It is in this sense that we should use the term "full employment," and it is in this sense that there is a current need for a new and more compelling ethic of work. Not an ethic forged only of competitive necessity or refurbished from Puritanical background but an ethic which begins with the assumption that to waste one's ability is to squander the humanity which gives life its essential meaning.

Building a will to work

We can begin at home. When and how do we make clear to our children the value of fully employing their faculties? Bright children do not need to wait until they reach a chronological school age to begin

systematic learning. We can find useful tasks in the home.

The child must learn at home that full and hard work will be expected of him from the cradle to the grave. Not backbreaking, oppressive, deadening hard work, but work that keeps him fully and healthily employing the capacities which make him a human being. Everything the family fails to inculcate passes a heavier burden to the other institutions which must deal with the individual later.

Next is the school. Here, too, full occupation of the students' time has not been achieved. We are still spending precious time on things the child should learn at home and on busy-work courses of slight academic challenge. Tragic, too, is our lock-step method of treating all children of similar ages as if they were identical in ability.

At the college and university level there are further illustrations of the absence of an adequate ethic of work. The first is our traditional practice of permitting the student—in the full vigor of his youth and more capable than he will be at any later time—to take a three to four-month break in the summer after a year in which he has already enjoyed more weeks of holiday than his older, less vigorous father will have all year.

This shows an incredible disregard of the need for encouraging proper attitudes toward work. It ignores the fact that a tremendous explosion of knowledge has taken place, which means that today's student must spend more time in school if he is to acquire minimal understanding of our kind of world. It pays no attention to the fact that, by using our physical plant the year around, we could cut building costs by at least \$4 billion in the decade ahead.

Several of our institutions already have introduced year-around programs. The University of Pittsburgh is now in its third year of experimentation with an 11 months' school year made up of three full terms or trimesters. Our experience indicates a greater student interest than anyone had anticipated—evidence that, given the opportunity and the institution's own example, our young people do respond to the challenge of using their minds more fully during a greater part of the year. This in turn enables the institution either to teach more in a given number of years or to use fewer years to teach a given amount of material.

We also fail to demonstrate the
(Continued on page 49)

PERSONAL OUTLOOK

Joint ownership can be expensive

Cutting the tax your estate will pay can be an important way to save money for your wife and children.

Estate tax collections are reaching new highs every year.

There's no need for you to swell the total any more than tax laws require when your turn comes.

Joint ownership of property, for instance, may offer serious tax disadvantages if your estate will amount to more than \$120,000.

It is above this level that a married man usually becomes liable for federal estate tax.

Here's why:

Up to half your estate, if owned jointly or willed to your wife, is tax free under the federal code's marital deduction provision. This leaves \$60,000 from a \$120,000 estate, and the law grants a \$60,000 exemption.

So your federal tax problems begin when you pass \$120,000. And don't forget that the government includes insurance as part of your taxable estate.

Internal Revenue Service considers jointly owned property as part of the estate of the first to die, with one exception:

Joint property bought with your wife's money can be excluded from your estate. But she must be able to show contribution.

Say that \$500,000 will be the amount of your estate owned in both names, and that your wife has contributed one tenth of it.

Half of the remaining \$450,000 is presumed to be hers under the marital deduction, leaving

\$225,000. Subtract your \$60,000 exemption. Your estate will be assessed on the remaining \$165,000 plus any taxable assets held in your name alone.

A significant part of your joint property thus will be taxed as part of your estate just as though it were held individually in your name.

It will be taxed a second time as part of your wife's estate.

On the other hand, joint ownership offers a number of advantages if your probable estate will be less than \$120,000.

You will by-pass probate court proceedings and their expense because jointly owned property passes directly to your wife.

You avoid executor's and attorney's fees, which could take five per cent or more of your estate, as well as the year or so required for administration.

In addition, joint ownership of your home generally protects it against any claims of creditors.

With no federal tax to be considered, these factors become important.

Gifts can save you money

Giving your wife part of your property now, instead of leaving it to her in your will, can help cut down your taxable estate.

No one method will reduce tax liability to suit every case. Your lawyer can help analyze your particular situation. But here are some factors to consider:

The federal government allows you \$30,000

PERSONAL OUTLOOK

in tax-free gifts over your lifetime and also permits you to give up to \$3,000 each to individuals every year without incurring a gift tax.

These amounts are doubled by the marital deduction in giving to your wife. You can give her, tax free, \$60,000 and then add gifts of \$6,000 each year.

Even if you exceed these limits, you may save money because the federal gift tax rate is 75 per cent as large as the estate tax rate.

Complete transfer to your wife's name of up to half your property can help pare your estate taxes. It also will sidestep some of the double taxation which results from owning property jointly or in your name alone.

If your wife should die first, of course, such gifts would be taxable as part of her estate.

Two factors to keep in mind:

Gift tax must be paid now if you exceed your exemptions, except in the case of jointly owned real estate. Estate tax is paid after your death, giving you use of the money during your lifetime.

If you give your wife property which is growing in value, and she later sells it, her capital gains tax is based on what you paid for it. If left in your estate, her capital gain is figured only from your date of death.

Is graduate school your next expense?

Financing graduate education for your sons or daughters could be one of your heaviest money problems in the years ahead.

Growing numbers of young people are choosing to go on with their schooling after earning a bachelor's degree.

More than 400,000 will be enrolled next fall in graduate and professional schools.

If any of your children decide to join them, you could find the cost of college education adding up to twice what you had planned.

Tuitions are rising and so are living costs in university neighborhoods.

On the plus side, graduate students often have more opportunity to help pay their own way through fellowships, research or teaching assistantships, and part-time jobs.

More than \$40 million in fellowships is available.

Two books give details: "Fellowships in the Arts and Sciences: 1962-63," American Council on Education, 1785 Massachusetts Ave., N. W., Washington 6, D. C., \$3; "Financial Aid for College Students: Graduate," Superintendent of Documents, Washington 25, D. C., 50 cents.

Chances for financial aid are partly determined by the field picked for graduate work.

Engineering and the physical and biological sciences have a higher proportion of fellowships to students than do the social sciences and humanities.

Your son is likely to have a wife before he gets his advanced degree.

Working wives are an important source of income, at least until the first baby arrives.

Graduate school expenses are generally similar to those of undergraduate years.

Medicine offers the most severe financial strain. Tuition, fees, and living expenses now average \$11,000 for four years.

value of full utilization of student capacity when, in so many of our institutions, the student is handed facts and ideas by the faculty rather than taught to think and use the other tools he has been given in order to acquire knowledge himself.

It is not my intention to imply that either family or school has utterly failed to convey the importance of full use of one's capacities. I do maintain, however, that both home and school bring the young person through his formative years with far less conviction about the value of work than we must have if we are to challenge effectively a dedicated group of zealot nations intent upon our destruction. I doubt if such casual attitudes toward work were good for us a generation or two ago. I am certain their continuation can be fatal for us now.

But what of the institutions that guide our lives after home and school are behind us? Governments, unions, and corporations are not much more attuned to the urgency of the situation than we are as parents and educators.

We urgently need to define the good life as the opportunity to develop oneself fully. We must affirm work and rigorous self-discipline as the essential means of self-realization rather than as a distasteful and brief apprenticeship before one achieves master's status as an idle man. We must see true leisure as an opportunity for intellectual reflection, physical recuperation, and spiritual revival in order that work may go on. Our nation needs all of its talents effectively and consistently employed in productive effort.

Beyond the urgent and practical necessities of our physical survival stands the moral compulsion for full performance which must be recognized as valid if the very basis of our culture is valid. For surely only by using his capacities to their maximum does the individual faithfully reflect the universal of which we believe him to be an expression. Thus does he find meaning; from that meaning does he derive rights and do we postulate the dignity of man. **END**

REPRINTS of "Qualities of Victory, Part 3: Enterprise" may be obtained for 15 cents a copy or \$10.15 per 100 postpaid from *Nation's Business*, 1615 H St. N.W., Washington 6, D. C. Please enclose remittance.

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FEDERAL REGULATORS PLAN NEW CRACK- DOWN

New chairmen
of U.S. agencies
ready for action

BUSINESSMEN can expect more government regulation in 1962.

All the federal regulatory agencies have new chairmen who, during the first year of the Kennedy Administration, have been learning their jobs. Now they are ready for more action.

Many of the agencies' actions are entirely within the requirements put on them by law. Businessmen in general support efforts to stop law violations or shady operations. But some of the regulators' actions seem to be designed more to embarrass and harass business than to correct abuses.

Here is the way some of the new chairmen describe their plans:

The Federal Trade Commission, says Chairman Paul Rand Dixon, has been "too much concerned with restraining sellers from using false advertising and too little concerned with warning buyers. We are going to step up this phase of our work. With investigators throughout this country, we can quickly ascertain the scope and intensity of false advertising as it develops or recurs."

For example, he has announced the FTC will investigate some food freezer advertising schemes which he calls "as tempting as they are fictitious."

In addition, the agency will push its scrutiny of other industries, Mr. Dixon says.

"It is my hope," he continues, "that we can publicize staff reports based on investigations of broad areas of deception where the information is needed by the public for its own protection, and at the earliest possible time."

Mr. Dixon was chief counsel for the Kefauver Antitrust and Monopoly Subcommittee of the Senate before he became FTC chairman. His agency has jurisdiction over practically every company in the country, since it regulates advertising, pricing, selling practices, mergers.

Newton N. Minow, chairman of the Federal Communications Commission, is best known for the speech in which he called television a "vast wasteland." He also has made clear that the FCC will carefully scrutinize all radio and television licenses when they come up for renewal.

"When a renewal is set down for hearing," Mr. Minow says, "I intend—wherever possible—to hold a well advertised public hearing, right in the community you [the broadcasters] have promised to serve."

"I want the people who own the air and the homes that television enters to tell you and FCC what's been going on. I want the people—if they are truly interested in the services you give them—to make notes, document cases, tell us the facts."

Mr. Minow has also indicated that he feels there are often too many commercials on both radio and television broadcasts. He has warned against the expanding influence of radio and television networks, which he considers too powerful.

Hard look at Wall Street

William L. Cary, the new Securities and Exchange Commission chairman, has told Congress that the agency has under way a record number of investigations of the securities markets. He placed the figure at 1,000 and said that stock manipulations in recent months may have foreshadowed an assault on the integrity of the securities markets. Mr. Cary also has said he is concerned that Wall Street may be invaded by free-wheeling brokers and salesmen.

The SEC has issued new rules effective this month on advertising by investment advisers. They prohibit testimonials as well as specific recommendations made by the advertiser in the past. Graphs or for-

Power to regulate business centers in the federal agencies headed by these five men



Federal Trade Commission Chairman Paul Rand Dixon plans more investigations of business, publicity to warn buyers of deception

mulas may not be represented as being enough in and of themselves to enable a person to make investment decisions.

Another outspoken new chairman is Joseph C. Swidler of the Federal Power Commission.

"I hope," he said recently, "that we can turn to the increasing use of statements to express Commission policies in a clear-cut and comprehensive way, rather than waiting for policies to emerge fragment by fragment from a mass of decisions in long-drawn-out cases."

Mr. Swidler told the Senate Commerce Committee that such regulatory agencies as the FPC should initiate cases to keep rates down without waiting for complaints to be filed. He said that if any agency thinks "rates are too high and no complaints have been filed, the Commission has the right to start an action."

Civil Aeronautics Board Chairman Alan S. Boyd has warned airlines that if they do not develop their own merger plans "the Board should institute studies of its own to determine what carriers should merge in the better interest of the industry and the nation." He indicated that, although the CAB does not have the specific power to force mergers, its recommendations can have a powerful influence in the industry.

These public statements illustrate the generally proregulation attitude of the Kennedy appointees. In private, some of the chairmen take an even more stern attitude toward business.

Here are other examples of the trend toward greater regulation:

The SEC has already started an investigation—the first in 22 years—of stock market practices.

The National Labor Relations Board is taking on what some observers consider to be prolabor bias.

The Interstate Commerce Com-



Joseph C. Swidler, new Federal Power Commission chief, proposes actions to hold rates down even if no complaints are filed



Newton N. Minow seeks strong voice for his Federal Communications Commission in radio and TV industry's affairs



Chairman Alan S. Boyd warns airlines that his Civil Aeronautics Board may use its influence to force mergers it favors



William L. Cary heads Securities and Exchange Commission, now making broad investigation of stock market practices

Congressional maneuver helped make change in policy possible

mission is trying to prod railroads into mergers which it thinks will lead to a stronger national transportation system. The ICC also will seek to bring under its jurisdiction more trucks now operating as private carriers.

The FPC is planning to move into the dispute between the private utilities and public power advocates over the long-distance transmission of power via regional and perhaps even nationwide grids. The agency is expected to begin its own study of the problem in 1962, and its conclusions promise to be heavily weighted on the public power side. Chairman Swidler formerly was general counsel of the Tennessee Valley Authority.

Finally, the Department of Agriculture is accelerating its regulatory activities. In 1962 the Department brought charges under the Packers and Stockyards Act alleging price-fixing in the sale and purchase of lamb. Similar cases involving pork and beef marketing practices may be instituted in 1962.

Appeals still possible

All of this action is not coming as a result of any far-reaching changes in the structure or procedures of the agencies. Cases will still be argued before hearing examiners who will make their recommendations as in the past to the members of the regulatory commissions. The decisions of the commissions can still be appealed to the courts.

Another fact to keep in mind is the supervision which Congress exercises over the agencies. Congress created the commissions, beginning with the ICC in 1887, and regards them as arms of Congress rather than as a part of the Executive.

Many members of Congress, their staff aides and the professional employees of Senate and House committee staffs carefully watch the activities of particular agencies. They are quick to respond to complaints that agencies are being unfair. Some of the congressional experts know more about the inner workings of the agencies than do the new members of the commissions.

In fact, many new appointees came to the agencies with only an informed layman's knowledge of their activities.

Mr. Minow, for example, cheerfully admitted that he knew next to nothing about the details involved in his new radio and television responsibilities. Mr. Swidler and Howard Morgan, another new member of the FPC, toured the Louisiana and Texas oil and gas fields after they took office to increase their knowledge of the gas and oil industry.

If the agencies are independent and Congress tries to oversee their operations, how was it possible for the commissions to change directions so abruptly within the first year of a new Administration? The answer is politics.

The Democratic-controlled Congress of 1960 refused to fill any regulatory agency vacancies that occurred that year. The Democrats believed that their presidential candidate would win and could then choose new members of the commissions. This is how it worked out.

There were a dozen vacancies ready to be filled last January, and the President has the power to name all the chairmen except at the ICC, where the members still rotate the chairmanship annually. Other vacancies have occurred since then, and there will be more this year.

The objections that some members of Congress had to some Kennedy appointees were not voiced publicly because it is difficult to defeat a President's nominees during his first few months in office.

Furthermore, Rep. Oren Harris' Committee on Legislative Oversight had turned up in 1958 and 1959 enough irregularities in some of the regulatory bodies to create an atmosphere for reform in some congressional quarters.

Reform has been slow

But the reformers have not made much progress on Capitol Hill because many senators and representatives felt that the major changes which were advocated would concentrate far too much government

power in the agency chairmen and members.

This is the principal reason why James M. Landis, the President's former adviser on regulatory agencies, got practically nowhere with his ideas for agency reorganizations last year and why little more is likely to be heard about the Landis Report in 1962.

Reorganization plans that were accepted by Congress strengthened somewhat the hands of the commission chairmen. They now have more authority to assign cases to hearing examiners and to commission members for special study and to initiate staff investigations of business practices.

However, majority rule still prevails in all of the commissions in the handing down of decisions. In some of the agencies, notably the FCC, FTC and FPC, there will not always be a majority this year or even next in favor of the new ideas of the Kennedy appointees. Nor do all the agency actions suggest an antibusiness attitude.

Mr. Swidler, as an example, came out for a type of regulation that is one of the least objectionable to the gas and oil industry.

This is the system of regulating the price of gas at the wellhead on an area-wide basis rather than through the traditional basis of company by company.

Another example was an FTC hearing examiner's decision in a "wonder drug" case involving price-fixing and other antitrust charges against six drug companies. After considering the case for two and a half years, the examiner recommended that the complaints be dismissed for lack of evidence. This decision is subject to review by the FTC members, including Mr. Dixon, who was the Kefauver subcommittee's chief counsel when it began its long series of hearings on the drug industry.

In dealing with the increased regulatory activity from Washington in 1962, businessmen should make certain that their point of view is known and understood by the agencies that affect or could affect their operations.

But any presentation to the agencies must be in strict accordance with their rules of procedure. Most of the commissions prohibit off-the-record or ex parte contacts.

Finally, businessmen should not forget that many senators and representatives are concerned that the agencies are fair to all sides in a case or a controversy before them.

END

COMMUNISM

continued from page 33

of Twentieth Century Americanism." Behind the façade of anti-fascism, the party lured many prominent Americans—business and professional people, labor leaders, educators, writers, artists, entertainers, clergymen and government leaders—into unwittingly fostering communist causes and stifling anti-communist viewpoints.

Russian control of the Communist Party, USA, forced the party into a series of tragically comic zig-zags just before America's entry into World War II.

Having hewed to its antifascist line during the 1930's, the party did an about-face when Moscow and Nazi Germany signed a nonaggression pact. American communists then began trumpeting propaganda aimed at discouraging United States participation in the war against Germany and Italy.

Hitler's invasion of Russia, however, was the signal for a switch back to antifascism and America's "obligation to join the Holy War." Efforts to cripple capitalism were postponed for the duration.

Near the close of World War II, the party's membership reached its peak—about 80,000. After hostilities ceased, the party's primary goal was revived—destruction of republican form of government in the United States. Known members dropped to 22,600 by 1955. In recent years the decline has continued.

Despite this declining membership the communist menace in the United States has continued to increase, due partially to the mistaken impression that communists are few and, therefore, need not be feared.

Actually, communist strength cannot be measured in number of members.

The late William Z. Foster, former chairman of the Communist Party, USA, who died in Moscow in September 1961, once said, "We no longer measure the importance of revolutionary organizations by size. In some places where there are only one or two men, more results are obtained than where they have larger organizations."

FBI chief J. Edgar Hoover echoes Mr. Foster's statement that communist success does not depend on numbers.

Success depends on the number of people whom the members can influence and on those who, for one

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COMMUNISM

continued

reason or another, do the work of the party, wittingly or unwittingly.

Five kinds of Reds

"Communists are classified in five groups," Mr. Hoover reports. "The open party member; the concealed member, fellow travelers and sympathizers, the opportunists and the dupes."

The open party member is a full-fledged revolutionary, fully indoctrinated and pledged to the party at all times.

The concealed communist is difficult to identify and is often known only to the top leaders. Usually he is a prominent individual and can operate freely in noncommunist groups.

The concealed member is a powerful asset to the party, lending respectability to any movement of which he becomes a part.

Fellow travelers and sympathizers are not party members. However, they actively support the communist cause for a given time and on specific issues—such as a sympathetic policy toward Cuba, banning all bomb tests and so forth. They are particularly valuable as financial contributors, spokesmen or as contacts between party officials and noncommunists.

The opportunist has little or no interest in communism as a philosophy. He does, however, support it knowingly and enthusiastically if he can see personal benefit.

Dupes are individuals who are unwittingly under communist influence and, consequently, do the work of the party. They are misled into believing that a communist cause or position is in the interests of something generally considered desirable—liberalism, justice, humanity—and thus front for communist effort.

For the most part, the dupe is more dangerous than the open party member because he lends the communist cause his own respectability.

Ironically, the dupe suffers more than the bona fide party member when exposed.

Public exposure, plus the knowledge that he has been used, brings humiliation.

"A tragedy of the past generation in the United States," Mr. Hoover says, "is that so many persons, including high-ranking statesmen, public officials, educators, clergymen, professional men, have

been duped into helping communism."

A word of caution: Because someone supports a position which is consistent with that taken by the communists, do not conclude that he is a communist or even a fellow traveler or dupe. But be alert to those whose position changes as the communist line changes. This is the real clue.

For example, there are many people in the United States who oppose testing of nuclear explosives. They fear for the future of mankind.

Until the fall of 1961, their position on nuclear testing was consistent with that of Khrushchev. However, the communist line on nuclear testing shifted to support the Soviet's decision to resume tests.

Those who continue to oppose nuclear testing—by any country—

Workers' fight against restrictive union rules may have an important effect on your business in coming year. Full report is on **page 38**

may be sincere. Those who shift positions to get back into harmony with Khrushchev may well be suspect.

How communism works

Infiltration is one of the older, more popular techniques of the party. Members work themselves into positions of authority in established and respectable organizations, in order to use those organizations as an instrument to advance communism.

Infiltration works this way:

At a routine meeting of an organization (civic, service, business, labor, professional) the small communist minority will initiate every conceivable delaying tactic to prolong the meeting. Gradually the noncommunist members will drift home.

Finally, the communists are in a numerical position to influence the organization's course of action or elect one of their own to a key position.

On other occasions—in organizations where membership activity, interest and initiative are, at best, apathetic—communists may gain control by default, by accepting

responsibilities that other members decline "because I'm too busy."

Forming front organizations is another favorite communist device. A front is an organization controlled by communists, with or without the knowledge of the general membership. It may be created by the communists or it may be an established group which has been infiltrated.

All front organizations have one thing in common: their titles connote something acceptable. Behind the title and the letterhead, however, the purpose is to advance the cause of communism.

Each front organization is active in its own way.

Some organize agitation campaigns, lobby for or against legislation and supply speakers for noncommunist groups.

The communist front is probably the most successful Red tactic in noncommunist countries.

Mass agitation is a communist tactic more dramatic than infiltration or front organizations. Its purpose, to stir up resentment against the way things are in any given area, is often carried out through fronts in specialized fields such as student groups, labor unions, women's organizations, farmers, veterans, professional, racial and nationality organizations.

Infiltration, front organizations and mass agitation are the principal out-in-the-open activities of communists in the United States. But at the same time they are ready to carry out espionage and sabotage when or if the time is right.

There are many networks—legal and illegal—within the communist espionage system. The legal networks are made up primarily of Russian or Russian-controlled diplomats and other foreign government representatives in the United States.

Illegal networks include spy rings controlled by Moscow.

Another communist tactic is called colonization. It is designed to place concealed communists in key positions in United States industrial and defense facilities, including the Armed Forces. Then, should the party decide, these colonizers would be able to commit the necessary espionage or sabotage.

Strengthen the United States

The foreign policy of the United States is primarily the responsibility of our national government and our elected and appointed officials.

What can you—the individual—

do to help stall the communists' drive toward world domination?

Here are three things you can do to start:

First, you can develop your interests in and your knowledge of the problems faced by the free world in meeting the communist challenge throughout the world. You can read and discuss and develop informed opinions on the character of this nation's foreign policy goals, and examine carefully the proposals suggested to achieve these goals.

Second, you are obligated to express your informed opinions to responsible government officials. The Office of Public Affairs of the Department of State has as a principal purpose the serious consideration of public opinion on world issues. Senators and representatives welcome communications that express viewpoints on the U. S. position in foreign affairs.

The President wants the guidance of the people who assigned him to carry out their wishes. His office is continually seeking out opinions and attitudes through which he can evaluate the will of the people. Voluntary expressions to him are received gratefully.

Third, you can do much to shape the image of America in the eyes of the rest of the world. Through personal contacts with foreign visitors, as a tourist to other lands, in letters to relatives and friends living abroad, each individual has the opportunity to characterize the kind of nation on which the rest of the free world is relying.

It is easy to brush off these points, to say that the individual's opinion in foreign affairs is unimportant.

Obviously, you cannot be expected to be an expert in the detailed intricacies of day-to-day foreign relations.

But in a free society, the responsibility of the individual in all matters—including foreign affairs—is inescapable. Ultimate power resides with the people. No foreign policy, no matter how good, can be successful unless the majority of the people support it.

The same is true of United States policies at home. Every American should remember he has many things to stand for.

Our entire social structure—using the term in the broad sense as including economic, political and social institutions—is built on principles.

These principles are related to individual freedom and voluntary
(continued on page 58)

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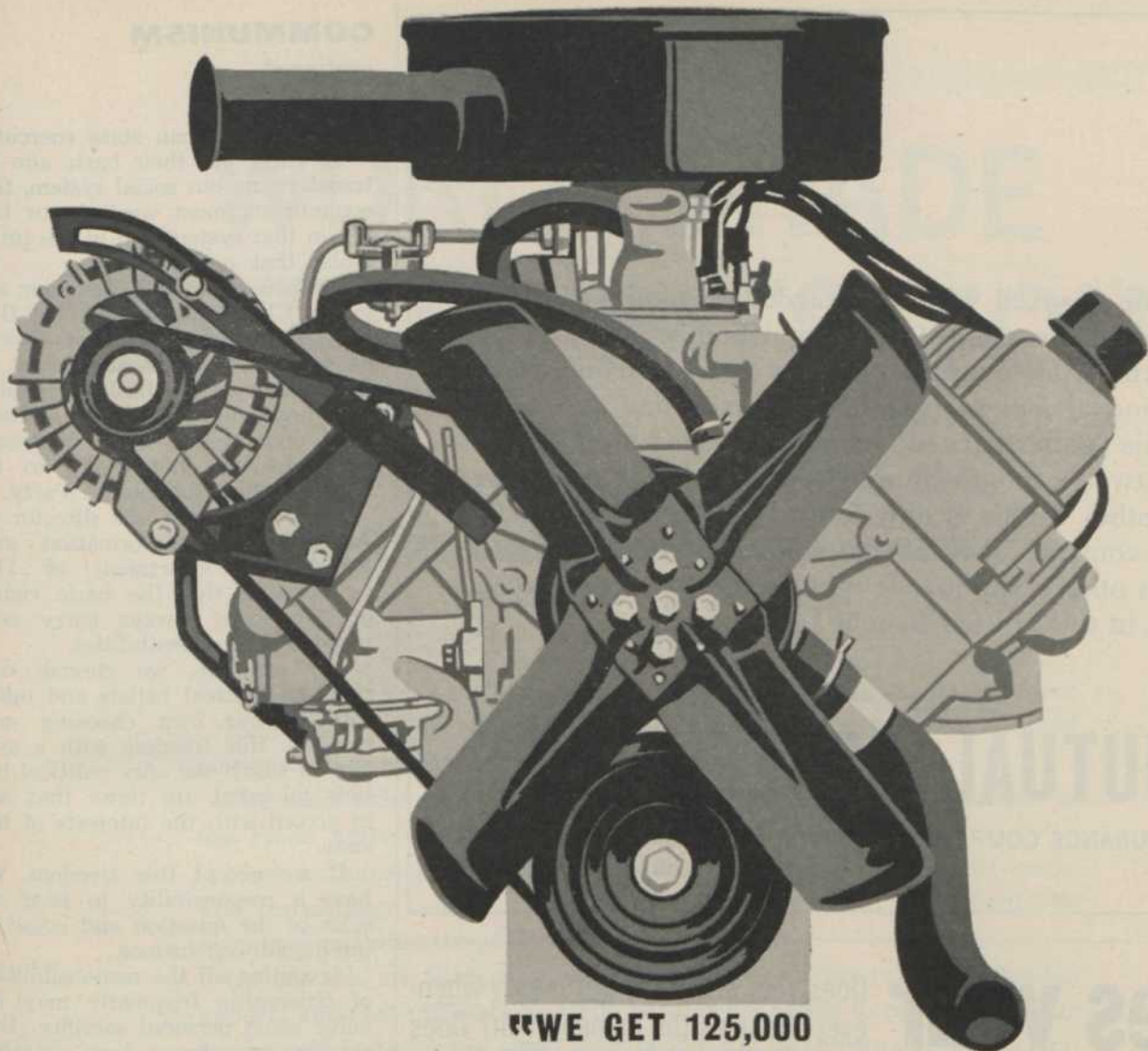
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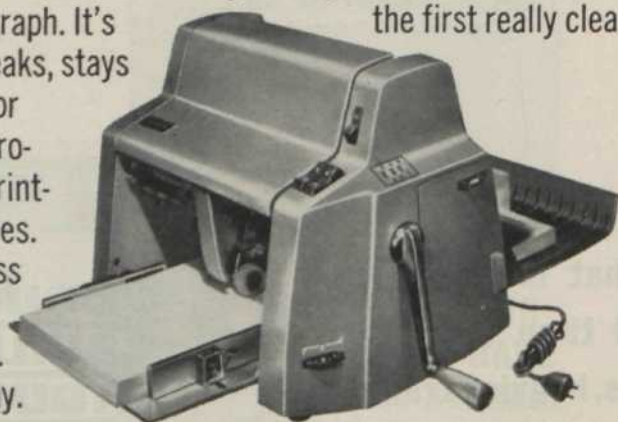
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COMMUNISM

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action, rather than state coercion.

To carry out their basic aim of transforming our social system, the communists must weaken our belief in that system and in the principles that underlie it.

We have a dynamic, evolving society. Change is inevitable. But proposals for change must always be weighed from the standpoint of their effect on the basic principles that undergird our society. Those who understand basic American principles are not likely to be dupes of the Communist Party.

John C. Broger, the director of Armed Forces Information and Education, Department of Defense, notes that the basic rights of Americans always carry corresponding responsibilities.

For example, we cherish our right to political beliefs and opinions of our own choosing and compare this freedom with a system in which the only political beliefs tolerated are those that are in accord with the interests of the state.

If we accept this freedom, we have a responsibility to hear all sides of the question and come to intelligent conclusions.

Accepting all the responsibilities of citizenship frequently may involve some personal sacrifice. But sacrifice has always been expected—and made willingly—during time of war.

Some responsibilities of good citizenship are of such commonplace simplicity that they frequently are overlooked.

They require, for example, personal time and assistance to civic, political, service and charitable activities.

Strengthening America also involves a revitalization of individual patriotism, and a willingness to display love of country for all to see and understand. **END**

This article is adapted from "Freedom vs. Communism: The Economics of Survival," an eight-pamphlet citizen's discussion course prepared by the Chamber of Commerce of the United States to help individuals in local groups learn more about the communist challenge and what they can do about it.

For full details about the course, write: Public Affairs Department, Chamber of Commerce of the United States, 1615 H Street, N. W., Washington 6, D. C.

WORLD TRADE BATTLE HITS YOU

Congressmen who will write new law forecast impact on business

OUR SHRINKING WORLD is rapidly changing the way we do business.

Nearly everyone is affected, or will be eventually, by new international markets and competitive challenges from abroad.

The main rules governing our trade with other countries—written in the Trade Agreements Act of 1934—are fast becoming obsolete.

Most businessmen and political leaders agree that change must come. The controversy centers on how our trade policies and laws should be revamped and what the effects will be.

On one side are those who believe we face increasing peril from foreign imports and that unless U. S. trade barriers are raised to protect domestic production, factories will close, more people will be thrown out of jobs, and our economic expansion will be stunted.

On the other side are those who believe that the U. S. must have new bargaining power to negotiate tariff concessions abroad to accelerate our exports. They are sure this will bring increasing demand for U. S. goods, more jobs, more investment opportunities for American capital, vigorous economic expansion, and an improved balance of payments.

The Trade Agreements Act is due to expire in June. President Kennedy is asking Congress for sweeping powers to promote freer global trade.

The total volume of exports and imports is only a small measure of the world trade impact. Our future trade policy will influence world-wide economic development, diplomatic relations and to a large extent the course of the cold war.

A new 1962 trade law will be drafted in the Ways and Means Committee of the House of Representatives, then fought over and reshaped in House and Senate debate. NATION'S BUSINESS asked two members of that Committee with opposing views to tell our readers what is at issue and what will guide their thinking as they help decide the fate of foreign trade legislation. Rep. Hale Boggs, Democrat of Louisiana, wants freer trade. Rep. Noah Mason, Republican of Illinois, wants to repeal the trade agreements law.

They tell why on following pages.

New markets demand change

By U.S. Rep. Hale Boggs



Mr. Boggs, (D., La.) is chairman of a congressional subcommittee that has been studying foreign trade policy. He is also a member of the House Ways and Means Committee

TODAY, all major problems transcend national frontiers.

Among the most important problems which now call for joint thinking and joint action by the industrialized nations of the free world are those concerning trade.

The action Congress takes in the new session with respect to United States foreign trade policy will be more far-reaching than ever before, not only for our own economic growth and prosperity, but also for that of all the western world.

Next June 30, the Reciprocal Trade Agreements Act, which has been renewed many times in its 27 years of life, is due to expire. Once again, Congress will face a long and hard-fought debate—a debate which has always taken place when the issue of renewing, scrapping or altering this legislation has come before it.

However, this year's decisions will be more important than in the past because of the formation and the growing prosperity of the European Common Market, the increasing economic challenge offered by communism, the pressing urgency of the economic development of the new and emerging nations and the balance-of-payments problems facing our country.

The swift-moving events of the past few years point up clearly that we are entering a new era in international trade. Accordingly, we must think in terms of charting new courses and new policies in our trade.

Trade's effect on growth

Premier Khrushchev boasts that the economic system of the free world is full of contradictions, and that a more efficient communist system will so outstrip that of the West in growth that the less developed countries will be won over to communism without a shot being fired.

Although few people in the developing nations have accepted Khrushchev's words at face value, many of them are watching the growth and prosperity of communist and free world economies to see how much truth there is in the Kremlin's prediction that only through communism will they attain rapid economic development.

If we are to win this competition, I think we should have an entirely new trade policy. We can better understand why when we recall that, while American exports approach some four per cent of our own gross national product, they constitute as much as 10 to 15 per cent of the gross national product of many countries. In some cases, they reach more than 30 per cent. For many of these countries, the United States is a highly important market. Their trade with us has a powerful impact on production, prices, employment, and general economic growth.

Moreover, what we do with regard to trade strongly affects the ability of these countries to sell in other markets. The trade actions of the U. S., as the world's largest single trading nation, set a pattern which heavily influences other countries' choice of expansionist or restrictionist trade policies.

Certainly, foreign trade is vital to the less developed countries. Their trade with the industrial nations is assuming an ever more central role in the solution of their problems. Total governmental economic assistance to the developing countries is running about \$4 billion a year, but their exports to the industrialized nations are roughly six times that. A relatively small decline in their export earnings can largely offset the benefits from foreign aid.

Thus American trade policy tends to determine the possibilities for economic growth in the less devel-

(continued on page 63)

Benefit to U.S. only a myth

By U. S. Rep. Noah M. Mason

WHEN THE FIRST extension of the Reciprocal Trade Agreements Act came to a vote in February, 1937, I was one of 13 members of the House who voted "No." It was my first important vote in Congress. I have never regretted that "No" vote.

In fact, I have voted "No" every time the Act has been extended since then. Those first 13 "No" votes have gradually increased until today there are more than 200 votes in the House against further extension of the Act.

The word "reciprocal" is a misnomer. It is anything but reciprocal. Our trade program has developed into a one-way street with the benefits all flowing one way—away from the United States. What has it accomplished?

The four reasons given for its enactment in the first place were that it would:

- Advance world peace;
- Make for world prosperity;
- Bring about amity among the nations;
- Remove world trade barriers.

Has it accomplished any one of these four objectives?

Has world peace been advanced? During the 27 years the Act has been on the books we have had World War II. We have had the Korean war. We have had the so-called Spanish Civil War. We have had 14 years of war in Indochina. We have trouble between England and Egypt, between India and Pakistan. We have had Communist Russia extending her iron curtain until she now has control and domination over 900 million people instead of the 300 million people of the Soviet Union before the close of World War II. Can anyone truthfully say world peace has been advanced?

What about world prosperity, the second objective? Are we any nearer world prosperity today than we

were in 1934 when the program was instituted?

To try to bring about world prosperity we have given away more than \$140 billion in the past 20 years—\$60 billion lend-lease during the war and \$80 billion since—to say nothing of the \$350 billion we have spent for national defense in the cold war.

Certainly our prosperity has not been advanced. We are more than \$285 billion in debt today, which is more than all the other nations of the world put together owe—and more than twice as much as all the nations of Europe put together owe.

What about the third objective? Is good will or amity among the nations any nearer today than it was before 1934?

Let us be specific: Has the relationship between India and Pakistan improved since 1934? Between Palestine and Arabia? Between Italy and Yugoslavia? Between Communist China and Nationalist China? Between the United States and Cuba? What about our relations with Russia? Are they improved?

What about internal dissensions and strife? Italy with her 36 per cent communist vote in the last election; France with a national legislature that is 25 per cent communist? What about England torn between her socialist Labor Party and her Conservative Party?

Have good will and amity among men been advanced by the Reciprocal Trade Agreements Act? My answer is: Not so anybody can notice it.

Finally, have world trade barriers been reduced or removed? Do we have a freer flow of goods today across national borders than we had in 1934?

While world tariff walls have been lowered, other obstacles or barriers more effective than tariffs have

PHOTOS: GEORGE TAMES



Mr. Mason (R., Ill.) is the ranking minority member of the Ways and Means Committee, which will consider new legislation covering tariffs and reciprocal trade

A MYTH

continued

been erected in their place—among them import and export licenses, trade preferences, currency manipulations, multiple currencies, quotas, subsidies, state trading, and the European Common Market freeze-out.

It is a fact, and we must face it, that, under the Reciprocal Trade Agreements Act, practically every foreign country that has lowered its tariff walls has erected other barriers against United States imports, thereby nullifying the effect of their tariff concessions or reductions.

In the face of these facts—can anyone say our 27 years of experience under our so-called Reciprocal Trade Agreements Act has been a success from the standpoint of its effect upon our American economy? Has it been a benefit to American workmen? The answer to both questions is "No."

In addition to the advantages we have given foreign nations under our Reciprocal Trade Agreements Act, during the past 15 years we have poured out to war-torn foreign nations some \$75 billion to rebuild their factories; to replace their worn-out or war-destroyed machinery with our modern machinery—thus creating competitors for us in both foreign markets and in our own American market.

So, today we face the question: Is the United States being priced out of the world markets? It certainly begins to look that way. One thing is absolutely certain: The United States is facing increased competition in world markets.

Today, for the first time in our history, we have an unfavorable international payments balance. In 1958, our unfavorable world payments balance was \$3.4 billion. In 1959, it was \$3.7 billion. In 1960, it was \$3.9 billion. What it was in 1961 we do not know exactly yet. But we do know that no nation on earth can run a deficit in its international balance of payments of this magnitude very long without going on the rocks.

Our Reciprocal Trade Agreements Act gave the President the power to regulate foreign trade. In effect, this put the State Department—an arm of the Executive—in control of American industry.

Under the guise of seeking allies and friends in an unfriendly world, the State Department has issued what may be termed death sentences to hundreds of American in-

dustries and destroyed millions of American jobs.

Consider these effects on American industries already dealt body blows by the tremendous imports flooding our markets today:

1. The American jeweled watch industry has been practically closed out as a result of our tariff reductions since 1934. We formerly had 20 jeweled watch companies in the United States; now we have only a handful. More than 80 per cent of the American market for jeweled watches has been taken over by Swiss watch manufacturers.

2. Lowered tariffs in the fresh and frozen fish industry have resulted in such large fish imports at such cheap rates that American fishermen are unable to compete. Some of our largest fish processing

What can you, as a
businessman and a
citizen, do about
communism? Leading
authorities agree on
a two-way approach.
Their proposals are
explained in article
starting on page 32

plants have moved to other countries where wage rates are lower.

3. Widespread unemployment is now prevalent in our industries that make chinaware, pottery, glassware, and kitchen articles. All industries classified as handicrafts are affected, industries that depend largely upon hand skills. This is the direct result of tariff reductions and the greatly increased imports of those articles.

4. Thousands of lead and zinc miners are today out of work and on relief because of greatly increased imports of both lead and

zinc. Recently our zinc factories have been reducing their working forces or going on a part-time basis because of the importation of processed zinc.

5. An excellent example of the way import licenses work is the American motorcycle. American producers formerly enjoyed a substantial market for motorcycles in Great Britain, in Australia, and in other British areas. The British duty on motorcycles was reduced under the Reciprocal Trade Agreements Act, but the British import license system has absolutely shut American motorcycles out of British markets.

These are just a few samples of the direct results of our Reciprocal Trade Agreements program, and the results are only beginning to become evident. In the face of these facts, can anyone say that our trade program has been a success? Should the program be continued? Should the President be given the power to lower our tariffs still further?

How can we maintain high wages for American workmen and high living standards for American people when we permit goods manufactured by foreign workmen working for low wages and farm products raised by farmers who for centuries have been living like serfs to flood our markets and destroy the jobs upon which our workers depend? There is such a disparity in labor costs between European and American labor that three workers can be employed in Europe for what it costs to employ one in America.

The Constitution gives Congress and not the Executive the authority to set tariffs. Congress should no longer shirk its responsibility. Congress should assume that responsibility and through its arm—the United States Tariff Commission—repair the damage done by the misguided policies of the past 27 years.

I feel sure this will be done within a year or so. The exportation of American jobs and industry and the ever increasing importation of foreign-made goods to be sold on the American market will be one of the campaign issues next fall.

If we continue any longer on the path to economic destruction, more American capital will go overseas, more and more American businessmen will transfer their plants abroad, more and more American factories will close, and more and more American workers will be out of work. It is past time to act. We must repeal the Reciprocal Trade Agreements Act and do it now. **END**

CHANGE

continued from page 60

oped countries, and the ability of their people to raise their standards of living.

Such growth is essential in providing an economic environment in which our economic system is respected and democratic institutions can thrive. If the industrialized nations of the West do not provide steadily increasing access to their markets for the products of the developing countries, then the likelihood of their peoples coming to believe that the communist road is best for rapid economic development will be greatly increased.

Effect of trade on unity

Our trade policy also has direct political effects on the countries of the free world. We emphasize the advantages of a competitive market economy, and our desire to cooperate with other nations in building a strong free world.

To impose new restrictions on imports would be in direct contradiction to our professed desire to provide a better life for the people of the less developed countries.

Impact of the Common Market

With the creation and rapid growth of the European Economic Community—the Common Market—we face an entirely new and challenging problem in the realm of trade policy. Thus far, this European Community has changed trade patterns only within its six member countries (France, West Germany, Italy, the Netherlands, Belgium and Luxembourg). But now it appears probable that the United Kingdom, Denmark, Ireland, Norway and other Western European nations will join.

Moreover, numerous African countries already are associated with the Common Market, and after Great Britain's admission to the Community, the British Commonwealth countries may attain access. It is possible that a vast Common Market with as many as 300 million people will be formed. If this occurs, then almost 90 per cent of the entire free world exports of industrial products will originate in the European Common Market and the United States.

From my own conversations with the leaders of the Commission for the Common Market this past fall, I am convinced that this prospering European Community will look favorably on freer trade with the



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CHANGE

continued

United States if we respond in kind.

Furthermore, the EEC has given positive and encouraging indications that it desires to follow such a course. In the industrial sector, the Common Market has offered to reduce its external tariff 20 per cent. But the EEC will not continue on this course unless it can obtain substantial tariff concessions from the United States.

But, under our present trade law, the United States is in a poor condition to bargain freely and effectively with the Common Market on tariff reductions. We have reached the end of our ability to negotiate tariff cuts on specific products under our present legislation. In its current transition period, which should end by 1970, the European Community is adopting a policy of reducing tariffs across the board on whole groups of products at one time, and is eliminating the commodity-by-commodity tariff-cutting

method which our present law requires.

What the President needs to conduct practical and realistic negotiations with the Common Market is authority to make tariff concessions by some across-the-board method of percentage cuts—the only system which the EEC countries themselves can practicably apply. Such authority is essential if we are to avoid being locked out of this vast and expanding market.

Balance of payments problems

In 1960 our exports reached the impressive value of just under \$20 billion. Exports of industrial goods were just about double the imports of industrial goods. This huge volume of exports was of great importance to our economy in providing additional jobs, profits, and investment incentives.

Foreign trade has a particular significance in relation to the large balance of payments deficits we have been running.

The excess of exports over imports was of great help to our bal-

ance of payments position. It will continue to play an important role in meeting this crucial problem. We can only hope to maintain and augment our present high volume of sales abroad, however, if we adopt a new, more practical trade policy which will permit us to take advantage of the greater opportunities both at home and abroad.

We sometimes do not realize that a policy of expanding trade is the logical extension of the conditions which made possible and fostered the economic growth of our country. The Constitution, by eliminating the trade barriers between the states, gave the greatest single stimulus in our history to this country's economic growth and prosperity.

Today the reduction of barriers to international trade offers a great opportunity for accelerating this growth in the United States, as well as in the other industrialized countries of the West.

The pressure of increasing import competition may adversely affect limited sectors of our economy. If so, our new trade legislation should face up to this problem and permit the federal government to provide trade adjustment assistance in exceptional cases. Such assistance might involve tax credits for modernization, accelerated amortization of obsolescent machinery, and the provision of funds and facilities for retraining labor.

A more practical and forward-looking trade policy is the only course consistent with the underlying philosophy upon which the economic growth of this country has been founded. That growth has been based on faith in competition and investment decisions by market forces. By enlarging the influence of market forces internationally we will be carrying out the logic of our own philosophy.

The contest over trade policy has always been waged between those who feared the future and the changes it will bring, and those who want to meet the future with vigor and enterprise. A vigorous, more open trade policy will bring us important benefits.

It will improve our own economic growth and income. It will serve to consolidate the advanced industrialized nations of the West into a powerful force to counter Soviet expansion and economic aggression.

It will create the conditions for more rapid growth and expansion of the less developed countries in an atmosphere of economic freedom.

END

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Forces shaping business future: Government

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Nation's Business

CHECK COSTS

continued from page 36

investment per worker goes up. Larger companies have a higher ratio of inspection personnel to production workers than do smaller companies.

Researchers are now looking for the "why" of these correlations.

"In the long range view, we are getting a better understanding of the way companies are managed and staffed," says Andrews M. Lang, the project director. "Management tends to be relatively undefined in a number of areas. We are really beginning to pin down such things as some of the environmental factors of management.

"For example, we find that we are getting more specific as we go along. There is tremendous interest in going more deeply into what

enable managers to manage better by being able to put their fingers on the factors that determine workload.

"We can now take given factors and tell how many employees will probably be needed to handle a situation.

"So far, we've been able to work out formulas in the areas of production control, personnel, accounting, and purchasing which permit us to feed in various workload factors and come out with the number of employees required."

Here are the results to date in one of the more advanced pilot studies, production and inventory control:

Of more than 20 workload factors carefully analyzed, only four were found to have a significant effect on the number of employees needed. These were the number of customer orders, the number of customer order changes, how many different types of parts were handled in inventory, and the number of engineering changes processed.

To illustrate how these results have been put to work, take the case of IBM.

"This study has caused us to examine carefully the impact of engineering changes on the whole manufacturing function because its impact on production control workers alone was so high," Mr. Swett says. "If this leads us to a better understanding and control of engineering changes—in their proper relationship to customer service, product quality, and advances in the art of management—the savings might reach several million dollars in three or four years.

"In all companies, there are a significant number of engineering changes that have only a minor effect on quality, service, and performance. We will try to manage such changes more efficiently, but still without affecting these three factors."

Immediate benefits

Many of the companies taking part have gained immediate benefits just as a result of taking the first step in the project. All participants must classify their employees according to a prescribed list of 58 job functions. This is not easy, because an employee's actual function often does not correspond directly to his job title or the department in which he works.

Management thus obtains, often for the first time, an accurate picture of company manpower in terms of function rather than de-

(continued on page 70)

How administrative personnel are divided up in participating companies

ACCOUNTING	31
PERSONNEL	10
PURCHASING	8
TRAFFIC	2
OFFICE SERVICES	10

Median figures, given as a per cent of all employees in general administration, show some of the function's subdivisions.

causes the need for particular personnel ratios. We are getting into the workload-causing factors that force you to have a certain number of people in a certain function."

Eight pilot studies are now being conducted by corporations in the project to make this deeper probe behind the personnel ratios. They are in the areas of production and inventory control, accounting and finance, personnel, office services, maintenance of buildings and machinery, research and development, purchasing, and marketing.

Workload factors

"These studies are telling us the workload factors that must be watched to determine the number of personnel," according to John W. Enell, another AMA executive involved in Group Ten. "They will

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TEST YOUR JUDGMENT

This will help you to determine how well
you distinguish between fact and opinion

GOOD JUDGMENT requires careful distinction between two kinds of ideas we have about the world around us. They are called observations and inferences.

Observations are products of personal experience. To observe something we must see, hear, feel, smell or taste it.

Inferences are decisions about the meanings of our observations.

Both kinds of ideas are indispensable to our proper functioning but when we mistake inferences for observations, we have trouble.

In business situations confusion is especially costly. Dr. William V. Haney of the Northwestern University School of Business, who also serves as consultant and lecturer to the Air Force, the Internal Revenue Service and many top business firms, has made a long study of the causes and results of such confusion. His findings can help you make valuable improvements in your judgment.

Observation and inference

In our language it is easy to make observations and inferences sound alike. You arrive at the office one morning and find that your desk has been moved to a less desirable location. You may say to yourself:

"My desk has been moved."

You may also say to yourself:

"My job is in danger."

These two statements are so like each other in form that many men find it difficult to realize how completely unlike they are in content. Their difference can be brought out by rephrasing them. The first could be made:

"I see that my desk has been moved."

This is a matter of simple, direct observation. If you can trust your eyes and your memory of the desk's previous location, it comes as close to certainty as the human mind is able to come. (Dr. Haney points out that psychological experiments have demonstrated that, under some circumstances, our senses can be badly fooled. But such observation is quite good enough for most purposes.)

The second statement could be made:

"I suspect that my job has been endangered."

This is a matter of inference. The likelihood that the job is in danger needs further consideration and checking against other evidence. But this checking is

made difficult, or even impossible, by failure to note that there is a fundamental difference between the observation and the inference.

Failure to recognize this distinction makes what may be a long-shot gamble seem a sure thing. Indeed, by linking a few inferences together some men are able to build themselves ladders with which to climb right out of the world of reality.

The sales manager of a certain concern was under heavy pressure because two of his firm's chief competitors had been making inroads among his customers. He sought to pass the pressure on to his salesmen by ordering them to go after the competition's best customers at every opportunity and allowing them to offer a few price advantages. He was surprised and pleased a few days later when he received from one of the salesmen a telegram which read:

"Have connected Smith & Sons. Hurrah."

This surprised the sales manager because Smith & Sons always had given its business to a competitor.

The sales manager inferred that the price advantages had done the trick. He next inferred that those advantages would prove even more effective when used by some of the other salesmen. His final inference led him to inform the executive board meeting that he had the competition on the run.

Next day he learned that the telegram meant, not that the salesman had landed an order from Smith & Sons, but that he had landed a job with them.

Some inferences dangerous

Two recent studies confirm the importance of distinguishing between observation and inference.

One, by the National Safety Council, concerned the patterns of thought of motorists just before accidents. Again and again, this study revealed, drivers expected something which didn't happen. That is, these drivers made inferences about what other drivers or pedestrians would do and then acted as if their inferences were sure things.

The other study, by researchers in psychology at the University of Manchester (England), sought to determine just how various kinds of people assess their chances in different situations. One of its most remarkable results was an indication that habitual criminals mistake inferences for observations more frequently than law-abiding people. The slightest evidence that they may be able to get away with a

crime seems to convince such men that it is a cinch.

The fact that mistaking an inference for an observation can cause trouble does not mean that there is anything wrong with inferences as such. The process of inferring is indispensable in our reasoning. This includes not only inferring what is highly probable, such as that approaching dark clouds and thunder mean rain, but also inferring what is just a remote possibility, such as that a single cloud on the horizon of a clear sky may mean that a change of weather is in prospect.

All that is necessary to keep inferences useful, and to prevent their leading you into traps, is to remember that they always involve a certain amount of risk.

If an inference calls for no action on your part, it may not be important to know how much risk is involved. Suppose a superior, who has full authority to act, promises you a promotion to a certain job as soon as the position becomes vacant. If you happened to see the current occupant of that position and the head of a rival firm lunching together, you might infer that the position would soon be vacant. But it might not be important for you to know the degree of probability of the inference, except as such knowledge would help you curb your impulses to start spending the anticipated raise.

On the other hand, suppose that you have had no such promise. Under such circumstances the inference might call for action, but the kind of action would depend on the degree of probability of the inference. If you have mistaken the inference for an observation, you will plunge ahead, taking quite possibly ruinous risks and blundering on to the end with no chance of reconsidering.

But if you are aware of having made an inference, you may still feel that you have to risk action. In this case, however, it will be a calculated risk, not a mere compulsive and unthinking response to a stimulus, and you will be able to alter or reverse the action if new evidence indicates that you should.

In nothing is this more emphatically so than in the decisions and revisions of decisions that have to be made by those who professionally assess the potential and intentions of other people. Such assessments often have to be based on very small clues and sometimes an assessment requires quick action. The important thing is not to shirk the action but to keep it tentative until more evidence is available.

A classic story demonstrating how easy it is to make the wrong judgment under pressure concerns a rookie patrolman who received instructions to be on the alert for a man who had been annoying children in a park on his beat. The only description was that the man was tall and usually walked a dog.

On his first swing through the park the patrolman saw a tall man walking a dog. He rushed up and

grabbed him. When the man protested, the patrolman forced him down into the bushes beside the path and threatened him with his night stick.

Not until a more experienced officer arrived did the rookie calm down enough to allow the man to identify himself as a municipal judge.

The rookie was suspended.

Testing your discrimination

Out of his experience as consultant to and trainer of executives Dr. Haney has evolved what he calls the "Uncritical Inference Test." Different versions of

**Turn page for stories
that measure your
ability to spot facts**

it are in use in various business organizations and in such schools as the U. S. Air Academy to help train men in distinguishing between observations and inferences.

Here is a version of the test (copyright 1961 by Wm. V. Haney) especially prepared for NATION'S BUSINESS. No matter what you score on it, taking it will make you more aware of your inferences in the future.

Instructions

Read the following sample story and take for granted that everything it says is true. Read carefully because, in spots, the story is deliberately vague. Don't try to memorize it since you can look back at it at any stage.

Then read the numbered statements about the story and decide whether you consider each one true, false or questionable. Circling the "T" means that you feel sure the statement is definitely true. Circling the "F" means you are sure it is definitely false. Circling the "?" means you cannot tell whether it is

TEST YOUR JUDGMENT *continued*

true or false. If you feel doubtful about any part of a statement, circle the question mark.

Take the statements in turn, and do not go back later to change any of your answers. Do not reread any of the statements after you have answered them. Such altering or rereading will distort the test.

Correct answers are provided to statements on the sample.

SAMPLE STORY

The lights were on at 10 p.m. on June 6, 1961, in an office of the P.Q.R. Co. Lettering on the door of this office read "L. D. Jones, President."

Statements

1. There was lettering on the door of the office.
T F ?
(This is true because the story specifically mentions lettering on the door.)
2. There were no lights on in the office on the evening of June 6, 1961.
T F ?
(This is false because the story specifically mentions that lights were on in the office that evening.)
3. L. D. Jones is president of the P.Q.R. Co.
T F ?
(This is questionable since the story specifies only the lettering on the door. Mr. Jones, for instance, could have died recently.)
4. The lights in the office were on at 9 p.m. on June 6, 1961.
T F ?
(This is questionable because unspecified. Someone could have turned the lights off for a while about then. Or the lights might not have been needed until later.)

So much for the sample. Here begins the actual test. Reread each story as often as you wish but you must take the statements in turn and not reread them or change your answers.—ROBERT FROMAN

STORY A

John Phillips, the research director of a midwestern food products firm, ordered a crash program of development on a new process. He gave three of his executives authority to spend up to \$50,000 each without consulting him. He sent one of his best men, Harris, to the firm's west coast plant with orders to work on the new process independently. Within one week Harris produced a highly promising new approach to the problem.

Statements about Story A

1. Phillips sent one of his best men to the west coast plant. T F ?
2. Phillips overestimated Harris's competence. T F ?
3. Harris failed to produce anything new. T F ?
4. Harris lacked authority to spend money without consulting Phillips. T F ?
5. Only three of Phillips' executives had authority to spend money without consulting him. T F ?
6. The research director sent one of his best men to the firm's west coast plant. T F ?
7. Three men were given authority to spend up to \$50,000 each without consulting Phillips. T F ?
8. Phillips had a high opinion of Harris. T F ?
9. Only four people are referred to in the story. T F ?
10. Phillips was research director of a food products firm. T F ?
11. While Phillips gave authority to three of his best men to spend up to \$50,000 each, the story does not make clear whether Harris was one of these men. T F ?

How to figure your score

Correct answers to all the statements about the test stories, together with explanations and self-scoring suggestions, will be found on page 81.

ABILITY TO STICK TO FACTS

STORY B

Arthur Johnson, merchandising manager of Jones, Smith and Williams, Inc., phoned his company's vice president in charge of sales, Charles Brown. In the course of this call Johnson discussed the possibility of Brown hiring a man named McNaughton as a sales trainee. He informed Brown that he had just been told that McNaughton had recently been graduated. Brown assured Johnson that McNaughton would be interviewed.

Statements about Story B

1. Arthur Johnson phoned Charles Brown. T F ?
2. In the course of his phone call to his superior Johnson did not discuss the possibility of Brown's hiring McNaughton. T F ?
3. McNaughton is a recent graduate. T F ?
4. The story does not state that Brown will hire McNaughton. T F ?
5. Brown promised to interview McNaughton. T F ?
6. Brown is vice president in charge of sales. T F ?
7. Arthur Johnson is a vice president with his company. T F ?
8. In their conversation Brown and Johnson discussed a young man named McNaughton. T F ?
9. Johnson did not tell Brown anything he had heard about McNaughton. T F ?
10. Johnson assured Brown that he would interview McNaughton. T F ?
11. The story does not state whether McNaughton was qualified as a sales trainee. T F ?
12. The gist of the story is that one man calls another to recommend a third man. T F ?
13. Brown and Johnson discussed a recent college graduate named McNaughton. T F ?
14. While Johnson recommended McNaughton, the story does not state clearly whether Johnson had reservations about McNaughton's qualifications as a sales trainee. T F ?
15. Arthur Johnson is merchandising manager of Jones, Smith and Williams, Inc. T F ?
16. The purpose of Johnson's call was to discuss the possibility of Brown's hiring McNaughton as a sales trainee. T F ?
17. Brown and Johnson were in different cities. T F ?
18. Brown and Johnson did not discuss the possibility of hiring McNaughton as a management trainee. T F ?
19. Brown initiated the conversation about McNaughton in his phone discussion with Johnson. T F ?
20. Johnson had just been told that McNaughton had recently been graduated. T F ?

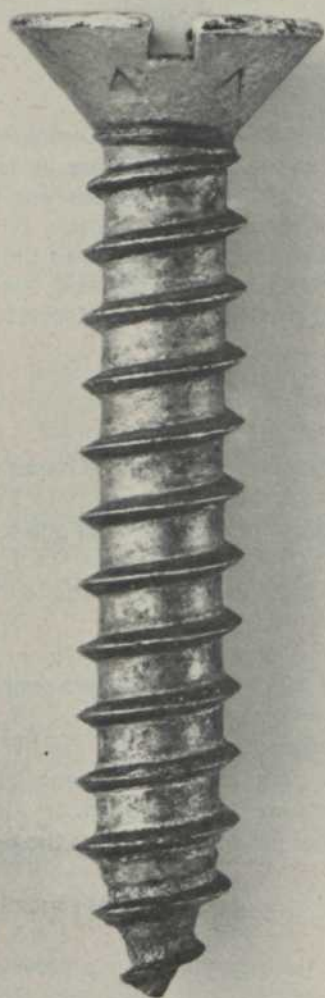
STORY C

The owner of the Adams Manufacturing Company entered the office of one of his foremen where he found three employees playing cards. One of them was Carl Young, brother-in-law of foreman Henry Dilson. Dilson, incidentally, often worked late. Company rules did not specifically forbid gambling on the premises, but the president had expressed himself forcibly on the subject.

Statements about Story C

1. In brief, the story is about a company owner who found three men playing cards. T F ?
2. The president walked into the office of one of his foremen. T F ?
3. Company rules forbade playing cards on the premises after hours. T F ?
4. While the card-playing took place in Henry Dilson's office the story does not state whether Dilson was present. T F ?
5. Dilson never worked late. T F ?
6. Gambling on the premises of the Adams Manufacturing Company was not punished. T F ?
7. Carl Young was not playing cards when the president walked in. T F ?
8. Company rules forbade gambling on the premises. T F ?
9. Three employees were gambling in a foreman's office. T F ?
10. While the card players were surprised when the owner walked in it is not clear whether or not they will be punished. T F ?
11. Henry Dilson is Carl Young's brother-in-law. T F ?
12. The president is opposed to gambling on company premises. T F ?
13. Carl Young did not take part in the card game in Henry Dilson's office. T F ?
14. A corporation owner found three employees playing cards. T F ?

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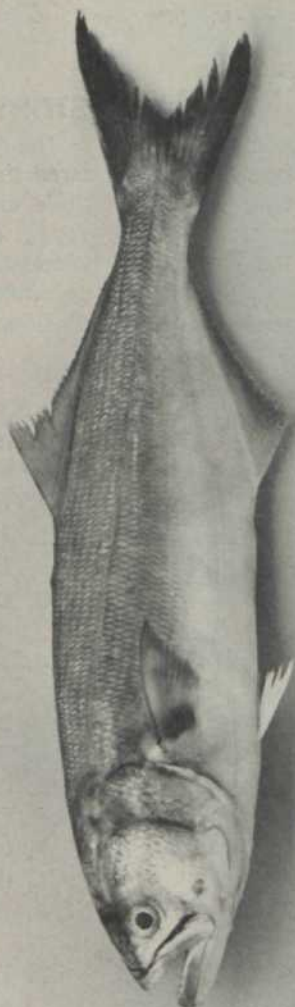


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CHECK COSTS

continued from page 65

partments or divisions. In a number of instances, companies found that they had more people performing a particular function than they had realized or wanted.

One firm, which thought that all its accountants were centralized in the main office, discovered a number of employees acting as accountants in its operating divisions. Another turned up engineers, classified as doing technical work, who actually were interviewing job applicants. Still another found engineers, believed to be doing technical work, functioning in an administrative capacity.

The tendency of operating divisions to set up their own little budgeting or personnel units, unknown to the main office, was exposed in a number of companies.

In addition to manpower data, participants give AMA information on company finances—including sales, purchases and value added, assets, net income before taxes, plant investment, research and development expenses, and selling, general and administrative costs—degree of centralization or decentralization, number of management levels, and number of company locations.

Specifically excluded are sensitive data which would disclose prices, individual product sales and costs, selling and promotion expense by product, and research expense by product.

After tabulation, all this information goes back to the participants in a form which permits them to compare their own employee distribution with that of their particular industry.

This information, never before available, can be put to work in several ways.

Officials in participating companies point out that it must be used in the context of other information and general company policy and aims.

Few corporations would want to apply it across the board. A company may find that it deviates from the norm in particular areas for excellent reasons.

"It doesn't tell you what to do, but it does tell you the areas you should look into," Robert E. Shull, American Cyanamid Company official, says.

At least one participant received a shock in comparing its personnel
(continued on page 73)

NATION'S BUSINESS EDITORS REPORT ON: Labor worries

AFL-CIO leaders are worried about the 1962 elections.

Their program to get more "friends" into Congress next fall is already getting in full swing.

Action is planned through Committee on Political Education, headquartered one block north of the White House, and subsidiary COPE organizations in 50 states and principal cities.

* * *

Dealing with employers to hike wages, shorten hours, expand fringe benefits—original purpose for which unions were organized—concerns labor's leaders less now.

An obvious reason: "Workers never had it so good," according to George Meany, president of AFL-CIO.

* * *

Less obvious is the fact that the men who chart labor's course today believe that most of unions' big problems—such as automation, unemployment and declining membership—can be solved better, quicker and more easily by government.

Or with government help.

Result is that leaders of organized labor are relying more on government to obtain such major objectives as shorter workweek, more jobs, steadier employment, protections against the hazards of unemployment, old age and disability.

* * *

Foremost political problem, as viewed by union leaders, is the close balance of union influence in Congress and the prospect that Democrats and so-called liberals will lose strength in the fall elections.

History hints such a loss is probable.

With only one exception—in 1934—the Administration in power has lost seats in off-year elections.

Democrats hold margins of 64 to 36 in the Senate, 259 to 174 in the House.

Four traditionally Democratic seats are vacant. Labor's strength is even less and

would be reduced still more by anticipated losses next fall.

Measured by their voting in the past legislative session, there is a clear majority of 53 union "friends" in the Senate but less than a majority (205) in the House.

These are members of Congress who voted unions' way more than half the time on 10 key issues surveyed by the AFL-CIO Industrial Union Department.

* * *

Two close votes are cited by union men as indicative of the hairline edge so-called liberals have in Congress.

One was passage of temporary unemployment compensation in the Senate by only two votes.

The other was expansion of the Rules Committee in the House by only five votes.

* * *

Labor's political leaders also feel their chances will be handicapped next fall by the fact that so many prominent union friends and Democrats have been appointed to high office by President Kennedy and will not be available as candidates.

* * *

State legislatures also concern union leaders, especially those legislatures which will act on compulsory unionism and other state labor laws.

With their eyes on the legislative sessions of 1963, local and state labor groups—particularly in the South—are organizing "Program for Progress" campaigns and assessing a per capita tax on union members to get friendly legislators elected.

* * *

Intensified national political program to be run by COPE calls for:

1. Improved registration drive particularly to cover members who have changed jobs and moved to other areas.
2. Concentration of funds and efforts in industrial areas, among minority groups, and in behalf of friendly candidates who have a fair chance of winning.
3. Expansion of area political conferences and distribution of political literature and radio-TV programs.

Last year COPE distributed 35 million pieces of literature.

Leaders of this group expect to distribute even more this year.

CHECK COSTS

continued from page 70

ratios with medians for its industry. Before submitting their data, representatives of the firm commented that they didn't expect to find their company in conformance with the median in research and development. Company policy demanded a concentration on research to stay ahead of their competitors, they said.

When the results were tabulated, they discovered that their firm was well below the median in this area.

Usefulness of data

Here are some illustrations of the ways in which participants have used the information:

One corporation found its personnel staff significantly above the median. It had 21 personnel people per 1,000 employees in the main company and a range of 10.1 to 25.1 in its 10 operating divisions. After careful analysis, management decided to bring its personnel staff more into line with the industry median and suggested a goal for the main company of 15.6 and a range for the operating divisions between 10 and 14.

This change in ratio is expected to save well over \$1 million yearly.

This company also has used the data to draw up manpower goals, particularly in the major administrative and clerical areas. Within a five-year period, it plans to bring employee ratios in 21 administrative functions to within a range of five per cent above to 25 per cent below the industry median. Twenty-three per cent of this objective was achieved in the first year.

Another company, in an industry which has experienced a declining demand for its main product, was faced with cutting its total employment in half over a span of several years. By using the medians established by 15 other firms in the same industry, it was able to keep its personnel ratios in balance as it scaled them down and thus retrench in line with the industry pattern. It also was able to correct imbalances which had existed previously. The data had shown that it had twice as many accounting and auditing employees as the industry median, for example.

Company officials feel that they have come out with a sounder, more efficient organization.

Two other companies used the pilot study information to cut down on the number of change orders.

One streamlined its product line by encouraging its salesmen to restrict the number of special modifications on basic design they would offer customers.

The other developed new, cheaper methods of bunching orders, largely through customer cooperation, and also improved the standardization of its part numbers.

One company received an unexpected bonus when examination of Group Ten data by top executives revealed for the first time the full extent to which its research effort had turned away from emphasis on

new discoveries and toward processing improvements.

Budget directors in many companies have found the data extremely useful in screening requests from divisions for the coming year's budget. Applications for expanding job functions already over the median warrant careful probing to determine if more workers really are needed.

One enthusiastic executive commented that the benefits his company has enjoyed to date would pay for its participation in Group Ten for the next 100 years. **END**

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Make job goals fit the man

Rigid standards can do more harm than good

THIS HAPPENS to every man who manages others:

You assign a man to do a job. You think it will take him approximately four hours. Nearly four hours later you find that it is only half done. Further, you find that he has made several mistakes.

What are you going to do? And why?

In reality you cannot answer these questions until you know more about the situation. For example:

Was this the first time he had done this job?

Did he have the right tools?

Did he encounter unexpected obstacles and delays?

Were your instructions clear?

Is this a typical performance for him?

This simple illustration points up the fact that a manager must adjust his standard of performance as the facts in the situation vary.

In this case, if the man had been hired recently, you would make allowance for his newness. If he had run into unavoidable problems, you would accept this performance. If this were the only case in which he failed to measure up, you would take his record into account.

One cannot supervise long—indeed, it is not necessary to supervise at all—before realizing that you cannot expect an inherently less capable employe to match the results of your best worker; nor can you apply the same yardstick of performance.

Experience is another variable that calls for a standard that varies from person to person. Health, age, sex, physical condition and other factors must be taken into account.

Situations also vary. Some work must be done in unfavorable conditions; other work is done under ideal conditions. Some work is done with exactly the right tools and equipment; other work requires improvisation. Some actions can be planned in advance; others are taken on an emergency basis.

Some assignments are new; others are routine. Some are unusual and involve a strong element of

safety; others can be done automatically, almost without thought. Some assignments take weeks to complete; others are done in a matter of minutes.

Obviously you cannot apply the same fixed standard to people and assignments that vary so greatly.

To set a firm standard geared to your best worker means that only one person measures up. To set a standard at the level of your poorest worker means that everyone else is above standard. To set an arbitrary standard somewhere in between may mean that some of your men can achieve standard without half trying, while others struggle mightily to make it. These applications of a rigid standard frequently have adverse effects on the employes. Men who exceed the standard with little effort often reduce the



Rate performance with ability

effort; and the men who strain to do what is expected often buckle under the strain.

What is needed then is a standard that is flexible and fair.

Some may ask: Is it fair to expect more from one person than another? Actually, it is unfair not to do so. The range of abilities is great, in unskilled and skilled jobs alike. And there are so many other variables that a flexible standard is the only thing that can be fair to all.

The most realistic, practical standard of an employee's performance is the ratio: Does Do/Could Do.

How the ratio works

On an individual basis, this relates the employee's actual performance, the Does Do, to his potential performance, the Could Do. On a group basis, it relates the actual performance of the group to the potential capability of its members. This provides a dynamic standard that responds to the many variables that bear on specific work performance. It enables each employee to be appraised in terms of his own attitude, abilities, and effort and the conditions which affect his work.

To use this standard you must: 1, know what each of your men is capable of doing; 2, observe how well each is performing up to his ability.

A logical question concerning a variable standard is: Are there no minimums? If everyone's performance is measured in personal and variable terms does this mean that any performance can be considered acceptable?

The answer is: No.

There are reasonable expectations for each employee in specific circumstances, and if he does not measure up, something must be done.

Two instances in which an employee's performance is not satisfactory are:

1. When his Could Do—his demonstrated or potential ability—is not enough.
2. When his Does Do—his actual performance—falls unduly below his otherwise acceptable Could Do.

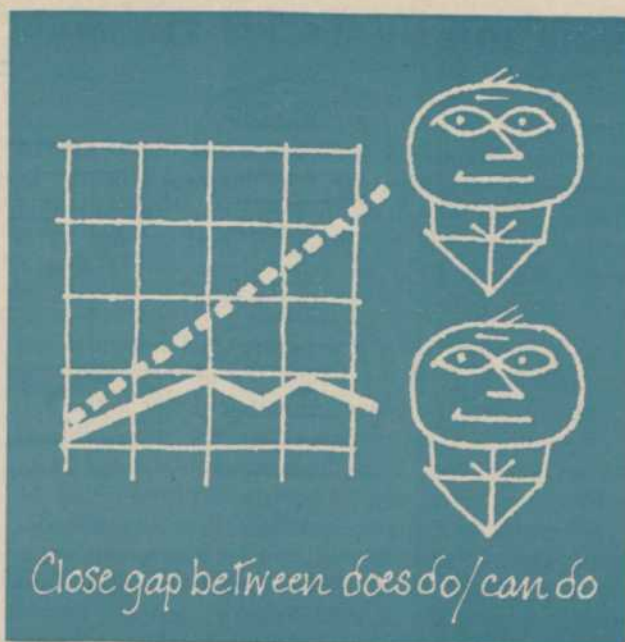
Let's apply this standard to the illustration. If, for example, the employee could not do more than half the work expected of him with the proper training, tools, and instruction, he is unacceptable on the particular job.

On the other hand, if he could have done the whole job as expected, but did not do so, another course of action is suggested.

The gap that exists between what an employee Does Do and what he Could Do is one you must analyze specifically for each employee. You need to know:

1. Why does the gap exist for this particular employee?
2. When did it start to develop?
3. Has it existed long?
4. How big is it now?
5. Is it getting larger or smaller?
6. What effect is it having on group productivity and morale?
7. Is the employee aware of it?

Answers to these questions will guide your meas-



urement of the individual's performance and indicate what corrective action is needed.

Why does the gap exist? It is impossible for an employee to work up to 100 per cent of his capacity 100 per cent of his working hours. Individuals have an optimum pace which is best for them. This varies widely, and you need to know what you can expect of each man. A small gap between an employee's optimum rate, Does Do, and his top rate, Could Do, is not a major concern. The gap that needs close scrutiny is the one that exceeds reasonable expectations for that individual. When such a gap exists, you need to learn why.

When did it start? If you can determine when the gap became unreasonable, you will be in a better position to analyze it. It is natural, of course, for a new



MAKE JOB GOALS FIT THE MAN

continued

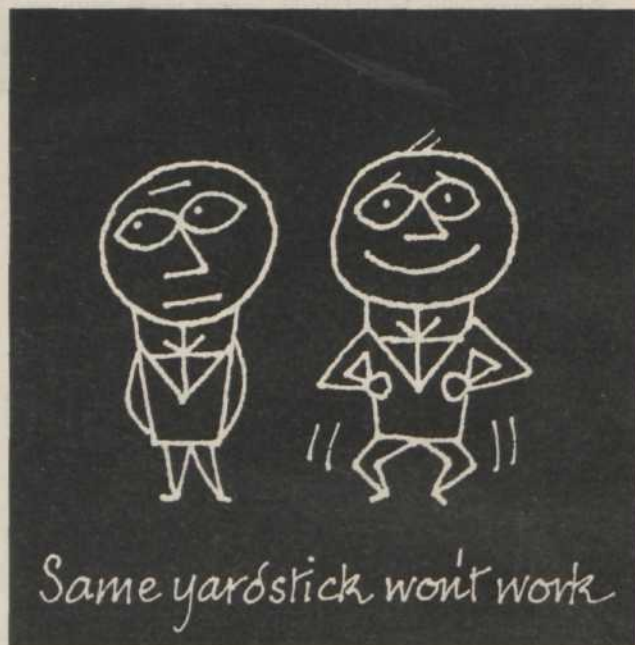
man's Does Do to fall well below his Could Do. In some cases, advancing age may become a factor. In between these extremes, however, are innumerable starting points for let down of performance. The specific starting time, in many cases, may hold the key to the solution of the problem.

Has it existed long? Correcting bad habits is not easy, particularly if the habits are of long standing. So, from a remedial viewpoint, it is better if the gap in an employee's performance has not been allowed to exist very long. Early observation is a big help. Furthermore, if an employee realizes himself that he is performing below par, but feels that you are condoning his behavior, he will not be so responsive to your suggestions for improvement. If a standard is lowered, knowingly or unknowingly, and is allowed to operate at that level for some time, it may become the accepted standard.

How big is it? A gap that has been permitted to grow and grow has gotten out of control. It may be difficult, now, for the employee to regain the level he once Could Do, even if you point out that what he Does Do must improve. It is important to know just what you can expect of each man, and not to allow a gap to overdevelop.

Is it getting larger or smaller? It is important to know if the gap is expanding or contracting. Is this a steady process in the right direction or wrong direction? What is the likelihood of complete recovery or ultimate failure?

Effect on group? Frequently, a group will carry a substandard performer. This is true, particularly, if the employee is well liked or if other factors are going for him. However, when the man's inadequate performance hurts them, or if he is unpopular, the group



may resent him. If a group gives up on an incompetent associate, it is clear that you have been overly tolerant—that you have permitted your standard to slip from your grasp.

It may indicate that you have adjusted your standard downward for a marginal employee without taking all the effects fully into account.

Is employee aware? Have you called it to his attention? Could he, otherwise, assume that he was doing his share?

Using the formula

The Does Do/Could Do ratio is realistic in that it permits adjustment of standards to varying circumstances. It is idealistic in that it appraises a man in terms of his own capability, experience, qualifications, and attitude. It is practical, because it makes sense that a supervisor should have flexibility built into his standard.

Using the Does Do/Could Do ratio means using personal supervision. It means giving individual consideration to individual employees; and this is the way to bring out the best in people.

The more the numerator, Does Do, approaches the denominator, Could Do, the closer a person's performance approaches his potential; and as one potential level is attained, the horizon of a new one often appears. This is significant in all walks of life, because our society is in need of people who give their best, and who are not willing to settle for less.

—W. D. SCHOENBECK

REPRINTS of "Make Job Goals Fit the Man" may be obtained for 10 cents a copy or \$7.00 per 100 post-paid from Nation's Business, 1615 H St., N.W., Washington 6, D. C. Please enclose remittance.



UNION RULES

continued from page 39

asked him to resign as committee-man for writing the letter, the milling machine operator said, "I asked myself if I was in America or in Russia."

The Supreme Court may be asked to decide whether a union may expel a member for expressing political views contrary to those of his union. The California Court of Appeals has ruled, in a case involving the International Association of Machinists, that it may not, and the union is appealing.

The IAM expelled two employees of Lockheed Aircraft Company, Burbank, Calif., for speaking publicly in favor of a right-to-work referendum, which California voters rejected in 1958.

The union opposed the referendum, which would have prohibited labor-management agreements requiring union membership as a condition of employment.

The appellate court reversed a lower court which had held that the IAM was within its rights in expelling the two members.

The higher court commented that its reversal "dispelled two troublesome illusions—that unions are purely voluntary organizations and that the only value of membership (in them) is job retention."

"Unions can be distinguished from other voluntary organizations such as Republicans, Democrats, Elks and church groups," the court said. "A large part of their power and authority is derived from government, which makes them exclusive bargaining agents."

"The union's power, when considered together with its source, imposes upon it reciprocal responsibilities toward its membership and to the public generally that other voluntary organizations do not bear."

"The union member who acts as a strikebreaker may be guilty of treason, but one can believe in right-to-work laws and remain a good trade unionist."

Considering the size and importance of unions and their growing interest in politics, the court said, the loss would be great if a significant number of large unions adopted the same attitude as the IAM.

Noting that California employers are barred from exerting political pressure on their employees, the court said that "at least where the political activity of the member is not patently in conflict with the

union's best interests, the union should not be permitted to use its power over the individual to curb the advocacy of his political views."

When a business moves

With many companies moving to new areas to improve facilities, cut costs, be closer to markets and for other business reasons, the question of a worker's right to a job at the new location has grown in importance.

Court decisions have tended to hold that the worker is entitled to a job at the new location and may retain his seniority rights, although the Supreme Court has not yet spoken.

It may do so in a pending case involving the Durkee Famous Foods Division of the Glidden Company and the Teamsters Union.

For business reasons not involving the union, the company moved its plant from Long Island, N. Y., to Bethlehem, Pa., after its agreement with the Teamsters had expired. It agreed to give fair considerations for employment to any of the old employees who wished to move to Bethlehem, but only as new employees.

The U. S. Court of Appeals ruled that old employees rehired at Bethlehem would retain their seniority rights from the old plant, even though employees at the new plant had selected the United Steelworkers as their bargaining agent in place of the Teamsters.

Strike replacements

Management as a rule can expect workers who are hired or return to work during a strike to be more cooperative and efficient than those who stuck with the strike until it was settled and the union permitted them to return.

It is natural then, for employers to want to retain those employees when layoffs become necessary.

A company which gave 20 years' added seniority rights to employees who either worked during a strike or were newly hired as replacements has been told by NLRB that such a move constitutes discrimination against the strikers and thus violates the law.

The company, Erie Resistor Corporation, Erie, Pa., learned that it had a right to replace the strikers permanently but that it could not also give the replacements extra job rights.

Right to work

Support is increasing for voluntary unionism—the right of workers

to join a union or not as they choose. Much of it stems from the growing feeling that, in addition to violating the principle of individual freedom, compulsory union membership increases union power to enforce unreasonable demands and practices which boost costs and restrict management's rights.

Controversy has raged over state laws which prohibit forced union membership ever since the Taft-Hartley Law of 1947 gave states the right to pass such laws. Nineteen states have right-to-work laws and proponents keep pressing for more to follow suit.

Unions have won repeal in several states, and keep trying to get more states to repeal them.

The Chamber of Commerce of the United States has set up a Committee for Voluntary Unionism to help states which seek to pass or protect right-to-work laws and to protect the Taft-Hartley Law provision against the repeal attempt promised in the Democratic Party platform.

Except for Oklahoma, where petitions are being circulated to place a referendum for a right-to-work law on the ballot next fall, there will be little direct activity in the states this year.

Most of the work on both sides this year will be concentrated on electing members to state legislatures who will support their side.

In Congress, proponents of revising Taft-Hartley to kill the state laws—which means repealing Section 14(b)—see little chance of success, despite the Democratic Party pledge, and will not make much of a fight.

A question related to compulsory unionism—whether a worker who does not join a union may be forced through employer-union agreement to make payments to the union equal to dues—is also headed for the Supreme Court.

This kind of arrangement is called an agency shop and is permitted by some state laws which prohibit compulsory membership.

General Motors Corporation, however, is testing whether the agency shop violates the Taft-Hartley Law's ban on employer assistance to a union except through forced membership. The corporation has refused to bargain with the UAW over such an arrangement.

The NLRB, reversing an earlier decision after its five-man membership was changed through new Kennedy appointments, says it must. The corporation is appealing to the courts. **END**



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WARNING TO U.S. TRANSPORT

continued from page 31

British write 9,000 letters per year complaining about service

railroads packaged these proposals in a campaign for equal government treatment of all contenders in transportation. If all this sounds familiar, it should. It matches many of the points in the U. S. railroads' current plea for a "Magna Carta for Transportation."

No one knows whether this plan would have prevented government take-over.

"Nationalization was inevitable," flatly declares one official, expressing the opinion heard most often.

"Inevitable politically but not necessarily economically," says Professor Ponsonby. "Since Labor had posed this as a major goal since 1904, its follow-through was expected. But had Labor not been elected, other approaches could have been tried."

One of BTC's most experienced commissioners replies simply:

"Well, it happened. We can't rewrite the history book. But we do know that a lot was done under government ownership that would never have happened under private management."

One of the first things done was to turn the railroads' greatest advantage, both to themselves and to the nation, against them.

Wartime experience had proved that railroads could operate for long periods with a minimum of renewal and repair. In postwar Britain the lines somehow continued to keep the trains running.

This was taken as proof that scarce funds could be put somewhere else.

Instead of making capital available to rebuild the worn-out railroads, the Labor Government plowed resources into just about everything else. Capital went into fuel extraction, power expansion and industries making products for the essential export market.

One of the latter, ironically, was motor vehicle manufacturing. This dealt railroads a double injury. When foreign purchasers did not pick up motor vehicles in sufficient numbers, new trucks and buses had to be unloaded at home.

"Frustrated exports," they were called. Soon ancient trains were trying to compete with the latest road vehicles.

"A lot of people think a nationalized industry would be favored by its creators," a railroad executive remarks. "But not at all. We were told, in effect, to stop complaining. Be good sports and don't rock the boat."

Too little, too late

Not until 1955 did government—a Conservative one by then—finally decide a change had to be made. Railroad service had slipped badly and operating deficits were ballooning.

So a new 15-year railroad modernization plan to cost \$3.3 billion (later raised to \$4.5 billion) was unveiled. This is still rolling along, but its course has been riddled with manpower shortages, technical troubles, public debate and political upheaval. The whole plan may be too little, too late. British railroading is now fighting for survival. Great segments of the present system may have to be counted out forever because of years of capital starvation.

This is the record a Boston newspaper could not have been aware of when a column appeared in early 1961 advocating nationalization of U. S. railroads. Said the writer:

"Government ownership would be messy and politically troublesome. . . . But it would provide greatly improved rail transportation."

British rail users would disagree. The BTC alone gets 9,000 letters of complaint from the public in a year.

As one citizen sardonically put it, "The private citizen finds himself tugging feebly at the end of a very long rope with a whole line of people grasping the same rope higher up."

Lord Winster wrote the Baltimore *Sun* recently that British periodicals are placed on sale "in New York quicker than in towns only 50 miles from London."

Added hazards

In its efforts to run a good railroad BTC faces more than operational handicaps. One trouble, as an astute analyst remarks, "is that no one has yet discovered a method

of running a public commercial business by public debate."

The executives of BTC are hounded so much justifying decisions with Transport Ministry officials, answering letters from members of Parliament (an average of 120 per month), testifying before tribunals and providing documentation for investigations they hardly have time to run their organization.

"If they would just leave us alone for a while, we might be able to run this thing," exclaims a rail-roader.

Insiders feel that policy flip-flopping has hurt as much as bad decisions. Labor's original acquisition and integration scheme would have taken "at least 10 and perhaps 20 years" to get rolling, if it were ever to do so. Firm political support would have been required all along the way.

This was not forthcoming even under the Labor Government. And when the Conservatives came back into power in 1951, they introduced a wholly new set of rules. These called for denationalization where this was possible and blew the whistle on the passenger and port integration schemes and the bogged-down job of drawing up detailed freight rate tariffs.

British Railways were freed of the more onerous aspects of government rate regulation. Since 1953 only their maximum charges have been controlled; controls over minimums were ended. Like their competitors, railroads can cut prices as they see fit, and pass on these benefits to shippers and the public.

For trucking, the excursion into government operation and recent efforts to withdraw from it meant problems equaling those of the railroads.

Labor set out to weld some 4,000 private truck firms with a total of 40,000 vehicles into a road-freight giant. The BTC was empowered to negotiate purchase terms or, if need be, to dictate them. The latter method was applied to four fifths of the companies and the outcry is still reverberating around the British Isles.

Having bought the trucks the BTC encountered an unexpected difficulty. The organization's new (June, 1961) chairman, Dr. Richard Beeching, describes it like this:

"It had to be learned the hard way that you don't automatically create managers for a big firm by merging a lot of small firms."

The trucking situation is regarded as a key factor in Labor's down-

fall in the 1951 voting. The Conservatives had promised to free trucking again.

Once they were in office the job of dismantling began. A vast sell-off whittled the government fleet down to about 16,000. Then private buyers, worried that another change in government would re-nationalize trucking, disappeared.

The BTC remains the biggest long-haul trucker in the Isles.

It was the omission from the nationalization plan of the private, industry-owned truck fleets that proved the Achilles heel of Labor's integration plan.

These business-owned trucks now number 1.2 million—six times all the for-hire trucks in Britain.

The original nationalization plan would have limited business's right to operate its own vehicles to 40 miles from the plant site. This provision was stricken from the final bill because, as an insider explains:

"The biggest single owner of private trucks in Britain was the co-operative sales movement, one of the three strongest elements in the Labor Party. These people weren't going to have their vehicles controlled by government. And they had to be appeased."

Doctrine, in brief, went out the window when political necessity moved in.

Why profits sag

Loss of traffic to these transporters on own account is only part of the reason for the railroad deficit, however. Lack of improvement in plant took its toll in discouraged customers. Nor were rail facilities trimmed down to realistic proportions with the loss of traffic to trucking; every community wants to hang onto its branch line whether it uses it or not. Under public ownership, it's easy to get a member of Parliament to bring pressure to prevent cutbacks of losing lines.

A government white paper issued a year ago pointed out that the deficits of BTC have now reached 500 million English pounds—nearly \$1.5 billion. In one year alone, the deficit amounts to 100 million pounds, or one fifth of the total revenues. To break even, British Railways would, therefore, have to raise revenues 25 per cent or cut expenses by 20 per cent.

The human side of nationalization is the saddest of all.

"Morale is our Number One problem," says a BTC official.

The BTC's annual report for 1960 pointed out that shortages of cer-



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TRANSPORTATION

continued

tain types of labor were bringing the rail service situation to the point of near breakdown. It cautiously complained that press criticism and parliamentary inquiries were driving prospective employees away by increasing "speculation concerning public transport's future," then made this telling point:

"The staff of the Commission works under a constant glare of publicity which does not shine in like manner on the staff of any private undertaking."

Essential engineering and skilled staff members are equally reluctant to cast their lot with BTC enterprises. The BTC's report cites its "relatively high wastage of graduate staff" and admits an inability to cope with present shortages "until conditions on the railways appear to be more stable."

When Labor took over, says one high official, it exhibited the peculiar thinking that "management wasn't really important anyway; it was the worker who counted." A squeeze was then put on operating staff by political administrators from above and by union leaders from below. Many good men left forever.

Unions disillusioned

As a mainstay of the Labor Party, the unions had, of course, supported nationalization. But the individual worker has his own thoughts. Many of them still wear the lapel pins of their old private railroads, refusing in effect to recognize the remote public bodies in London.

Not even the unions are so sure they like nationalization any more. They soon discovered that a strike against a nationalized industry is a strike against government itself. And every request for a wage increase immediately becomes a major public issue. They generally get their way, however, because as Mr. Kelf-Cohen remarked in a facetious but truthful vein:

"We all know that nationalized boards readily give in to the unions and grant increases in pay with an abandon unknown to private enterprise—because the board knows and the union knows that they can make the consumer pay."

This was demonstrated in early 1960 by action on the Guillebaud Report, named after its chairman. This advocated big wage boosts for railroaders on grounds that their

scales had lagged behind those in other industries. An industry's ability to pay increases was henceforth to be disregarded. The government approved and another \$112 million was added to the railways' annual wage bill.

The deficit soared beyond the point of toleration.

So the British railroads are to be shaken up all over again. Harold Macmillan's Conservatives are proposing that Parliament enact a three-part transport bill:

1. Wiping out a large part of the debt owed the public treasury by BTC, giving the railways a chance to make a fresh start without the overhanging load of past mistakes.

2. Wiping out the BTC itself, and replacing it with five boards, one for each major segment of nationalized transport, with all reporting directly to the Minister of Transport. (Carrier officials fear this will only serve to place carrier management even more at the mercy of political pressures.)

3. Allowing railroads still greater pricing freedom. Except for London commuting, the government now proposes that all carriers set prices at their own discretion without government interference.

The last is acknowledgement that monopoly in transportation is dead and that competition, rather than arbitrary decisions by distant officials, should be allowed to regulate prices.

It is also acknowledgment that a nation's essential common carriers can cope with the rise of private do-it-yourself trucking only if they have freedom to negotiate special contract rates and package services and otherwise meet a firm's full transport needs by road, rail, water or whatever.

These proposed changes in British transport law represent perhaps the furthest the Conservatives can go toward denationalizing transport. There is little hope of going the whole way. Private investors refuse to risk getting caught in another government change-over. Besides, the railways have become such an economic monstrosity that private interests will no longer be saddled with them under any conditions.

Some remedies

Today hopes are pinned on Dr. Beeching. A businessman—he came to BTC from the Imperial Chemical Industries—he has the mission of seeing if some simple business principles can be injected into a public enterprise which has become

a whipping boy. To do this he must reshape the whole railroad system. Trackage must be sliced off, stations closed, yards, shops and freight sheds consolidated, motive power and freight and passenger cars modernized and employment cut back. Morale has to be restored if possible, more opportunities carved out for managerial advancement, the railroads reoriented toward greater emphasis on sales, and incentives provided for staff to go out and fight for new business.

While attempting all this Dr. Beeching and his men will be fighting continually against political obstructions.

This is, indeed, the major lesson to be learned from nationalization of transport in Britain. When pub-

lic ownership is brought into business, essential internal adjustments to external competitive pressures are frustrated. When bad decisions are made, natural back-pressures have no chance to break through with automatic counteraction.

All this was put into plain language by a senior Irish railroadman. Asked what he found from his own experience to be the real difference between working under private enterprise and public ownership, he answered:

"There just isn't the same pressure on managers any more to cut costs and bring in new business. Our old private board of directors, for instance, would really have howled over any deficit—because they had their own money buried in the business. Public board mem-

ANSWERS TO TEST ON PAGE 68 FOLLOW:

Story A

1. T—that's what the story says.
2. ?—story doesn't say whether he did or not.
3. F—story says he did produce something new.
4. ?—story does not say whether or not Harris had authority to spend.
5. ?—story does not say whether others than the three mentioned had such authority.
6. T—that's what story says.
7. ?—not all executives are necessarily men.
8. ?—story suggests this but doesn't specify it.
9. ?—if Harris is one of the three given authority to spend \$50,000, this would be true, but the story does not specify whether he was one of those three.
10. T—that's what story says.
11. ?—story does not specify whether Phillips gave such authority to his best men.

Story B

1. T—that's what story says.
2. ?—story does not say whether Brown was Johnson's superior.
3. ?—story says only that Johnson had been told this.
4. T—indeed it does not.
5. ?—Brown gave assurance only that McNaughton would be interviewed.
6. T—that's what story says.
7. ?—story doesn't say.
8. ?—story doesn't say whether McNaughton was young.
9. ?—story says only that Johnson told Brown something he said he had heard of McNaughton.
10. ?—story does not say.
11. T—indeed it doesn't.
12. ?—story doesn't say whether Johnson recommended McNaughton.
13. ?—story doesn't say that McNaughton had graduated from college.
14. ?—again, story doesn't say whether Johnson recommended McNaughton.
15. T—that's what story says.
16. ?—story says that the discussion occurred in the course of the call but not whether it was the purpose of the call.
17. ?—story doesn't say.
18. ?—story doesn't say whether or not they discussed this.
19. ?—story doesn't say who brought up the subject.

20. ?—story says only that Johnson informed Brown he had been told this—Johnson could have been lying, for instance, or could have this McNaughton mixed up with another.

Story C

1. ?—story doesn't say card players were all men.
2. ?—story doesn't say whether the owner of the firm also was its president.
3. ?—story says the rules did not forbid gambling but does not specify whether they forbid card-playing.
4. ?—story says card-playing was in a foreman's office.
5. F—story says he often did.
6. ?—story says it was not forbidden, not that it was unpunished.
7. ?—story says only "owner."
8. F—story says they did not.
9. ?—story says only that they were playing cards.
10. ?—story does not say whether the card players were surprised.
11. T—story says so, since such a relationship is mutual.
12. ?—story says only that he had expressed himself forcibly on the subject.
13. ?—story does not say whether card-playing was in Dilson's office.
14. ?—story does not say whether the company was a corporation.

Scoring suggestions

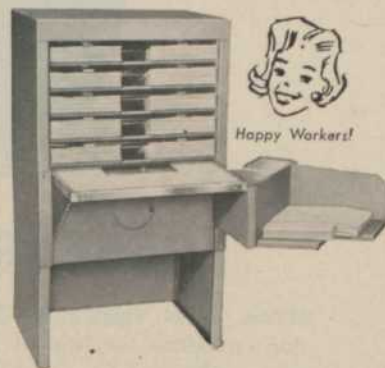
Number correct	Rating
38 or better	Excellent—this suggests a strong awareness of the difference between observations and inferences.
34 to 37	Good—this may be an indication that you do not mistake inference for observation very often.
28 to 33	Fair—this suggests that you find yourself in trouble once in a while as a result of confusing inferences and observations.
22 to 27	Poor—this may be an indication that you may be in frequent difficulty over such confusion.
21 and below	Very poor—such a score suggests a strong tendency to mistake your opinions for facts.



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(1-62)



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Try 'em. They may dig you up some hidden treasure.

PETE PROGRESS

Speaking for progress through voluntary organizations

TRANSPORT

continued

bers have nothing really personal at stake, however, and are therefore inclined to take it much easier. After all, it's someone else's money.

"Unions are much harder to bargain with, too. We're always under pressure from above to give in even to unreasonable demands, in order not to create a national crisis."

This is the record of nationalization in action in Britain. It has several lessons for America.

It shows how government intervention can gum up the economic works almost as badly as the nationalization that it leads to.

Britain's experience shows further that sound and stable relationships in transportation are impossible without public policies that treat all competitors alike.

Europeans are incredulous over government policies toward railroading in the U. S.

Professor Ponsonby says:

"It is tragic. You Americans appear not only to be undermining a great industry but to be throwing away a great national asset."

In the choice between freedom and nationalization, there is even more at stake—our traditions. The Transportation Association of America said in a recent letter to its members:

"It is the TAA view that nationalization of any form of transportation would surely pave the way for the eventual nationalization of other methods of transportation . . . and signal to the world an American retreat from the principles of private enterprise on which our nation's greatness is built. It could have violent, perhaps disastrous, repercussions on the strength of the United States."

There is another way. Railroad industry leader, Daniel P. Loomis states this succinctly:

"The answer is not to bring government further into transportation but to get it further out. For just as the basic problems have been created by government intervention, they would only be worsened by more of the same."

Britain's experiment proves that.

END

REPRINTS of "England's Plight: Warning to U. S. Transport" may be obtained for 15 cents a copy or \$10.15 per 100 postpaid from *Nation's Business*, 1615 H. St., N. W., Washington 6, D. C. Please enclose remittance.

NATION'S BUSINESS EDITORS REPORT ON: Plans for youth

Before 1962 ends you may be paying for multimillion dollar new federal programs in the field of youth employment.

Congress is poised for early action on a hopper-full of proposals which would put Washington into business of financing and directing job training for thousands of teen-agers and others in their early 20's.

Bills—if they become law—would bring increased federal spending and expanded federal power over the nation's economy.

* * *

Here's quick look at principal proposals before Congress:

On-the-job training—Qualified young people would receive federal training allowance of up to \$20 a week. Employers participating in programs would be required to pay trainees "learner's wage."

Youth Conservation Corps—Program would provide outdoor work for young men 16 to 21, be styled somewhat after Civilian Conservation Corps of the 1930's. Each trainee would get basic pay of \$70 a month. Also provided: quarters, subsistence, clothing—even burial allowances.

Public service employment and training—Jobs to be made available in state and local public agencies, publicly owned and operated facilities, or such nonprofit facilities as schools, hospitals, recreation areas. Government would pay up to 50 per cent of wage costs, provide clothing, tools, transportation.

All programs would be administered by Secretary of Labor—a feature viewed by some as unnecessary concentration of power.

Estimated first-year cost of these programs: \$100 million.

* * *

Concern over youth has numerous facets.

Present military draft works on top-down basis, taking in men averaging about 23 years of age. Pressure could grow for reversing this procedure, so noncollege youths 18-19 would be drafted, taken off labor market.

Experts on military point out that present induction system removes many youths from the labor force who already are gainfully employed, skips over many younger

males who are currently unemployed but have a good military career potential.

Vocational education also is under governmental scrutiny. Some legislative proposals, merged with recommendations for tax-financed training, retraining of older workers, would spark changes in its structure.

Youth bills have strong White House support. President has created special committees to study youth employment and review effectiveness of federal vocational training programs.

* * *

What's back of rush of interest in youth employment?

About one million Americans under age 25 currently are unemployed.

Many are youngsters who failed to complete high school and lack skills demanded by an increasingly technical, automated economy. Others, even with high school diplomas, find it difficult to land a job despite fact that thousands of openings are available for the skilled.

Three quarters of a million youngsters are dropping out of high school each year. That's 4,000 each school day. Total drop-outs over the 1960's are projected at 7.5 million. This will swell ranks of unskilled.

Contrast these facts, estimates with forecasts that nation will have to create 24 million new jobs by 1970 to absorb wave of baby-boom workers.

* * *

Supporters of federal action argue that's only practical solution to growing joblessness of young people.

Those opposing federal action contend states, communities, private businesses, labor unions, other groups have resources adequate to solve the problem if they will use them. They urge national government to restrict its activities in the field to fact-finding and dissemination of information on where job opportunities exist, where they'll exist in future.

* * *

Some recommended alternatives to federal action:

Elimination of labor practices which prevent creation of new jobs.

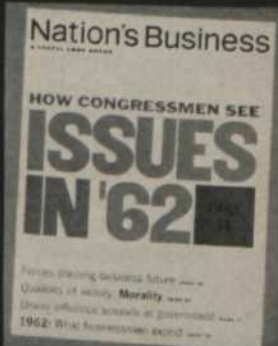
More business-community participation in determining need for training, re-training, along with action to provide these needs.

More aggressive local leadership in improving secondary educational facilities so that their end product—the graduate—more closely meets requirements of a fast-changing society.



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WHERE U. S. KNOW-HOW LAGS

American business has no monopoly on efficiency, says head of worldwide management organization

A NATION'S BUSINESS interview with **ALBRECHT M. LEDERER**, President, International Committee for Scientific Management

U. S. BUSINESSMEN can learn much about efficient management from the practices of foreign companies.

This is the opinion of Albrecht M. Lederer, management consultant and current president of the International Committee for Scientific Management (commonly referred to by its French initials CIOS), a nongovernmental, nonpolitical, nonprofit international association of national management movements. CIOS has member organizations in more than 30 countries, including the United States.

Contrary to the views of many in this country, Mr. Lederer asserts, America does not enjoy a monopoly on good techniques for getting things done in business. He says many U. S. firms are slow in making decisions and suffer as a result. He pinpoints other areas where we can learn from the experience of business abroad. He also tells where we excel in management in comparison with other countries.

Interviewed by editors of NATION'S BUSINESS, Mr. Lederer forecasts significant progress in the science of management and offers practical advice on how U. S. companies doing business abroad—or planning foreign operations—can improve their chances of success.

An American, Mr. Lederer heads a consulting firm with headquarters in New York City. He is a former adviser to the Departments of State and Commerce and has traveled extensively throughout the world, es-

pecially since his election as head of CIOS in 1960.

Mr. Lederer, is management in the United States more highly developed than in any other country?

I don't think so. In some respects we are probably behind. Our problems are somewhat different and, therefore, the solutions are different. There are organizations in other countries that are well managed—sometimes against all the principles of western textbooks.

Can you give an example?

One organization in a rather underdeveloped country has made it a policy for 15 years to have 60 per cent more managers than it needs. They feel this is the only way they can provide managers for other businesses, competing or otherwise, to the benefit of the economy as a whole. After a certain period, they tell some of the excess, "You will have to find yourself another job." Their training and experience enable these people to get a better job than they had originally.

In what areas of management can we learn from experiences of companies abroad?

Businesses in European countries particularly seem to do the same or a better job of managing with less executive staff than we ordinarily need in the United States. It is conceivable that, having such a vast market, we need our kind of approach. Perhaps when Europe

has our kind of market, they may have to do the same thing.

Are American firms overstaffed?

I think that in many instances they are, primarily on the level of the staff to the executive. There may be valid reasons for it and some research is being done on it.

Who is conducting this research?

Well, the successor body of the European Productivity Agency is doing it in Europe. The subject will be discussed in the CIOS Congress in New York in 1963. Several countries are participating.

What managerial implications do you see in the Common Market and similar groupings?

I would say that these regional groupings will accelerate a new approach to decision-making by the use of the computer. I think computers will greatly influence the form of our organizations and the fact-finding and decision-making process in the future because of the trend toward managing new and rapidly accumulating knowledge and not only men.

Are we further along in computer use than other industrialized countries?

Yes, in the use of the larger computers. Other countries are concentrating more on the smaller computer. By and large, I think that the difference is slight.

Do you see any other weaknesses in



Management leader Albrecht Lederer, shown in Paris, says American businessmen can learn much from companies abroad

American management compared with other industrialized countries?

Business in other countries can come to decisions faster than in the United States. I would guess that this is perhaps because European operations are still more centralized.

It is, I think, the extension of the staff system that produces the slowing down of decision-making.

The slowdown comes not only within the organization, but outside the organization. Someone should examine the position of the general counsel of the corporation, for example. Does he slow down decision-making or accelerate it?

Where is United States management stronger than management in other countries?

American companies excel in marketing and in the use of better and more intricate machine tools. That is our greatest advantage.

Are Japan and Germany ahead of us in marketing outside of the home country?

Not so much in marketing, but perhaps in selling and financing sales.

The Germans, the French, the British and the Japanese businessmen are much more flexible than those in the United States. They

have developed better credit tools to meet changing conditions.

In a great many countries, the American product, whether made there or imported, formerly had a dominant position.

There wasn't any other, particularly after the war. There was no need for real selling. Just as with everything else, when you have the field pretty much to yourself, you get careless.

What important changes in management do you anticipate in the next 10 or 20 years?

There seems to be a trend all over the world toward the combination of diverse enterprises into one corporate structure.

I think the Common Market will accelerate that trend as will other free-trade areas. If it does, the problem of managing will become much more complex. This, in turn, will be offset by increased use of the computer in decision-making.

This is going to be one of the greatest management problems: whether the combination of diverse entities is desirable in itself, where the saturation point for an individual combine lies, and how to manage a union of diverse companies.

This trend will bring up a host of problems: the relation of the manager to the government, to labor, to the consumer.

Also, there is discernible a distinct change in the value systems of managers, particularly of those in medium and large corporations.

What seems to be emerging is a diversification and enlargement of goals beyond the concept that managers manage for profit alone. The managers seem to relate their managing activities more to the demands of the external society than to economic demands of the corporation.

What can American companies do to improve their competitive position in world markets?

I think they could do this by quicker decision-making, and either themselves setting up or getting others to set up a mechanism for financing particular projects. Also, I would recommend a vigorous retraining and reorienting of their people in the foreign field. The Amer-

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KNOW-HOW

continued

ican manager at home is exposed to a certain educational process, whether he likes it or not, as a part of his daily life. He attends meetings. He reads magazines. He has business luncheons and he is in contact with a great many events and people every day.

But the man in Timbuktu is not exposed to that kind of educational process. There he sits for two or three or four or five or six years. After a while his outlook on life and on business is entirely different. How to give that man the facilities for his own intellectual development has always been a problem.

With some institutions organizing seminars and doing other things, it is getting better, but it is still a problem.

Does American business have a favorable image abroad?

Again, an answer which covers the whole world is difficult. But I would say that whereas the manager of an American business is able to sell his product well, he has not done the corresponding job of selling American business well, by and large.

Of course, there are many exceptions and sometimes the difficulty stems from policies American companies establish abroad.

I will give you one example. For some time—it is changing now—the American citizen holding a job in a foreign country was paid more than a national of that country holding an equally important job within the same company.

Another thing is that the individual company operating in a foreign country is looked upon as reflecting all the business ethics in the United States.

If a company has particularly bad public relations or a bad or indifferent attitude toward the public, this is often taken to mean that all American businesses are that way. This is not as prevalent now as it once was, but it is hard to erase in some instances.

What other things have individual companies done that had a detrimental effect on U. S. business abroad?

Sometimes our people abroad talk in public about, let us say, how corrupt the foreign government is while everybody knows that the people doing the talking pay bribes just like everybody else.

Are American companies improving their image abroad?

A House Foreign Relations Subcommittee last summer heard testimony from five American businessmen who have contributed to management education in other countries by participating in seminars.

That testimony gives a good picture of what can be done when the manager participates in these seminars, not to teach but to say, "This is how we tackle this problem; now you may have another kind of a problem, but this is what we do."

These seminars have become popular primarily because of the high quality of the American managers who attend.

I would like to emphasize this because it seems to me we have talked about things that have been wrong with the American business manager abroad. I think generally he has become much more aware of his responsibility and is doing something about it.

Have you found that management know-how is increasing at a satisfactory rate in the less-developed countries?

I would say that management, or the knowledge of the art and science of managing, has significantly increased.

The people in other countries have been made aware that there is a discipline that they can draw on to accelerate their own economic development.

Have the underdeveloped countries planned education programs to get the trained manpower they need?

That varies with each country. For instance, one cannot quite compare what happens in Argentina with what is planned or is happening in Abidjan or Sudan.

Even in a region that has a common cultural background like Central America the differences from country to country are apparent.

But I would say generally it follows a certain pattern. Some universities have established courses in business administration. I do not necessarily mean the kind of courses that we have in the United States but at least this is one kind of start.

What are some examples?

To pick one—Sudan. Under the auspices of UNESCO, the Sudanese university in Khartoum started a school for public administration which is now about a year-and-a-half old. When I was in Khartoum,

I discussed an institute of management with the minister of finance and the minister of commerce. They became interested. Three or four months later they wrote asking us to provide them with a project developer for a school of business administration. I hope to generate the funds needed for this endeavor.

In Chile some years ago the American member of CIOS, the Council for International Progress in Management, assisted in setting up an institute for the further training of managers now in business and public administration.

The business community and others in Chile became interested. CIPM sent a project organizer to lay out the project. The people now are aware that management education is an important need.

Might increased management proficiency or skill help turn the less-advanced countries toward political stability and peace?

I have always taken the position that political instability in any country is brought about by economic factors. If the economic problems are reasonably well solved, you will have no political instability. The people who initiate, plan, direct and control private economic development are the managers. If they don't do it, nobody will.

Will changing economic conditions and managerial attitudes benefit the United States and the free world?

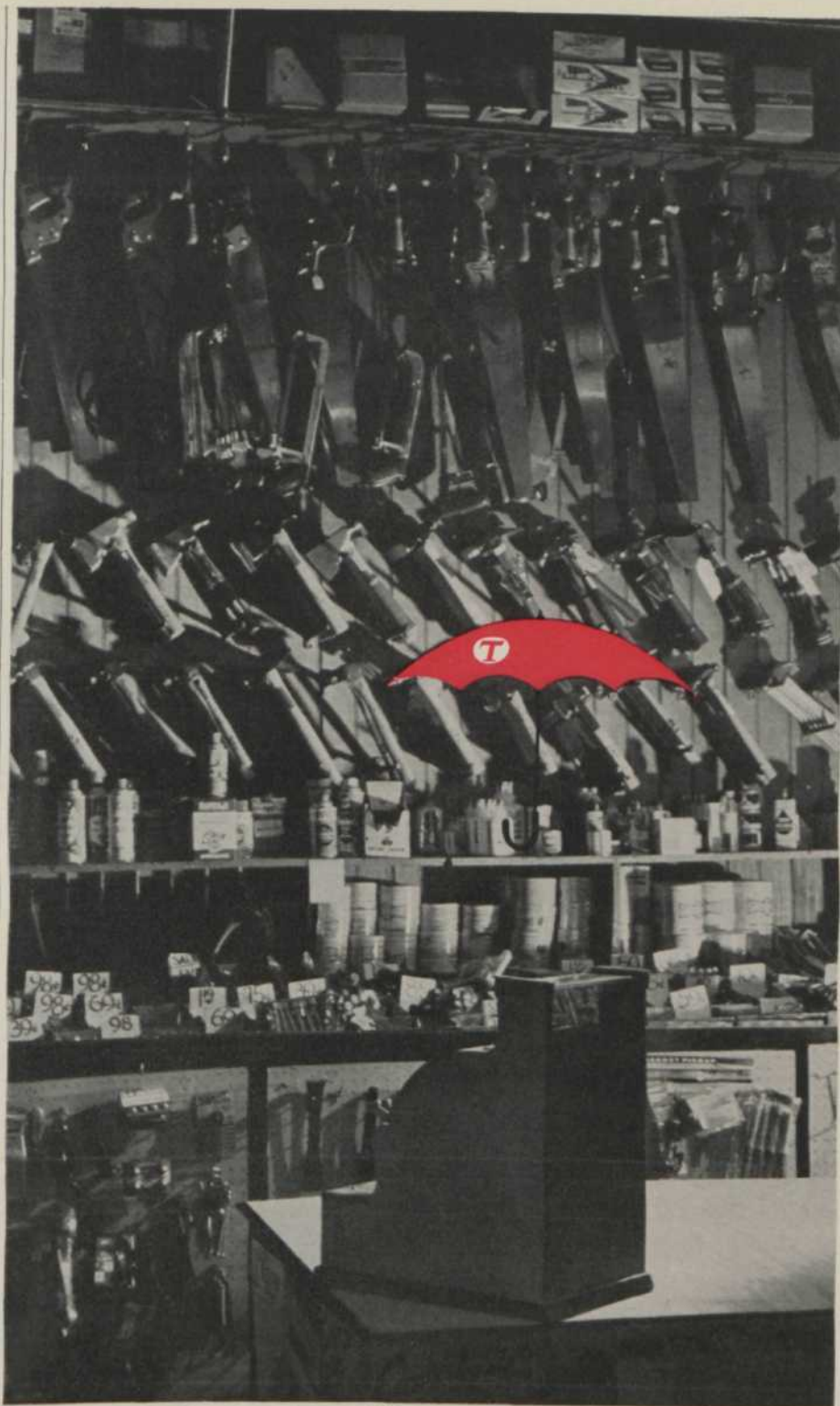
I am encouraged. If orderly development of a country is contributing to the general stability of the world, I think it probably would be good for the United States.

Whether people in underdeveloped countries would necessarily say, "Because we do this, we are politically in favor of the United States," I wouldn't know. In many instances their leaders, both in the public and private sectors, are preoccupied with the development of their people, period.

In what other ways can the United States and other industrialized countries help the underdeveloped countries develop trained managers?

As a rule, governments are much interested in educating and training the civil servant. A great many international agencies have addressed themselves to that particular need with the result that, in many instances, the training facilities for the managers operating in the private sector of the economy were left uncovered. As a result most of the

(continued on page 92)



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KNOW-HOW continued

bright young people landed in the civil service. Now, however, international and private agencies have taken steps to see that the education in the private sectors is equal to, if not better than, what is offered to the civil service.

Businessmen can see to it that educational facilities are available to produce future managers. Whether they are American businessmen or other businessmen makes no difference.

How broad should this training be?

There are, of course, three levels: undergraduate; graduate; and what I would call the institute level. At the institute level educational effort is directed toward the manager now in place. By manager, I mean men from the foreman level up. This training is especially important in new countries.

If such a country establishes a university which teaches management in a four-year course for undergraduates and a two-year course in graduate school, these people won't actually get into the stream of public or private life for seven

years. Over those years the managers now in jobs have to do all the planning and the managing of a relatively fast-growing economy. These people need the educational programs to upgrade themselves.

CIOS is helping to do just that in Ghana. Ghana's college in another year will become the University of Ghana under the jurisdiction of the University of London. They have a School of Economics and what they call intramural studies which take in a great deal of the immediate area of managing, such as accounting, industrial engineering, and other operational methods.

Are managers in Ghana being oriented toward an economic system which would be more of our type or more of a socialistic type?

I don't think the tide is running one way or the other. I think the managers realize that they will get the tools and the concepts for developing their country. What they are going to do with these tools is a problem they have to solve themselves.

In the concern for protecting freedom, what should we do in this connection?

Well, I think private agencies and the United States government are trying to promote private enterprise. But I don't think this is so simple. In each country people try to raise the living standards quickly. Whether they think they can do it through socialism or private enterprise or a mixed society will depend on where and how they think they can get the quickest results. I think that is generally the feeling. To a large extent, the image they have of private enterprise will determine their acceptance of it.

I personally point out to younger managers in some of these countries that they should be aware of a basic question: For what purpose do you manage? And the correct answer can only be found if they have a clear understanding of man's relationship to the universe.

If a man feels that he, as a man, is only matter, then he manages one way because any person he manages is only a piece of matter. If, however, he believes that man is part spirit and part matter, then he directs his managerial actions in a different way.

That choice he has to make, and from it springs all other action.

The young managers abroad are becoming increasingly aware of this question. **END**

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THE PROBLEM --- IS PROGRESS

THE CONGRESS that convenes this month will face a costly piece of unfinished business:

What to do about agriculture!

Every Congress for 30 years has faced the same question. The result is an informative record of costly plans that didn't work as expected.

If this Congress insists on approaching the problem politically as previous Congresses have done, the inevitable result will be to repeat old mistakes and contrive new ones.

If it dares be realistic, it will finally solve the farm problem.

According to the political approach, agriculture is a sick industry. Actually the agricultural problem is progress.

In terms of productive efficiency farmers have done a splendid job. Today, although less than 10 per cent of our people live on the farm, modern production, distribution and marketing techniques have given the American people a quality and quantity of food and fiber unparalleled in history. Because the sick-industry approach overlooks this efficiency, every government effort to support prices leads to surpluses which in turn lead to controls. Since farming and processing of farm products employ directly or indirectly a substantial number of American

workers, these controls act to stifle a wide section of business.

If we are to have the greatest economic advance, in industry as well as agriculture, these workers ought to be free; the small, inefficient farms whose operators never made an acceptable living should be recognized as a social, not an agricultural problem; the consolidation of small farms into larger, more efficient units should be recognized as a natural outgrowth of progress, not mourned as the "passing of the family farm."

Family operated farms today make up approximately 97 per cent of the nation's farms just as they did 50 years ago. They are bigger, better equipped, and better manned than in the past. They will continue to give us men and women of great strength if we adopt a farm program that gives them a chance as free, independent enterprises, where ability will find its natural and abundant reward.

Such a program will not mean success for all farmers. Good management and adequate resources will still be essential.

But a program that lets the efficient farmer operate as a free producer rather than a political experiment will return the agricultural problem to the people best qualified to solve it.

Nation's Business • January 1962



Dodge Dart 440 2-dr. hardtop

HOW TO TELL A FLEET CAR FROM A FAT CAR

You know what a fat car is. It has excess overhang and bulk. Its dead weight makes it eat gas, drag its feet. Not a good fleet car. Fleet cars are meant to work and go and save. Like the 1962 Dodge Dart. A full-size car. A new lean breed of Dodge that's as trim as an athlete. Dead weight has been eliminated. Example: the automatic transmission (with V8s) now has an aluminum case. It's stronger, 60 pounds lighter. Result of such dead weight

reductions is action and economy in the same car. The 1962 Dart will accelerate 7% quicker than last year's comparable model, with 5% less fuel. And with less dead weight on the front wheels plus a new low-friction steering gear, it's about the easiest handling full-size car around. Want more? You got it. A rust-proofed body. Self-adjusting brakes. High-speed starter. 32,000 miles between grease jobs. Price? Down with Ford and Chevy.

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